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Published By The Spain-USA Chamber Of Commerce

An American Non-Profit Membership Organization

The Real Estate Sector In Spain

Brand Equity: A Financial Perspective

A Special Report: The 1992 Barcelona Olympic Games

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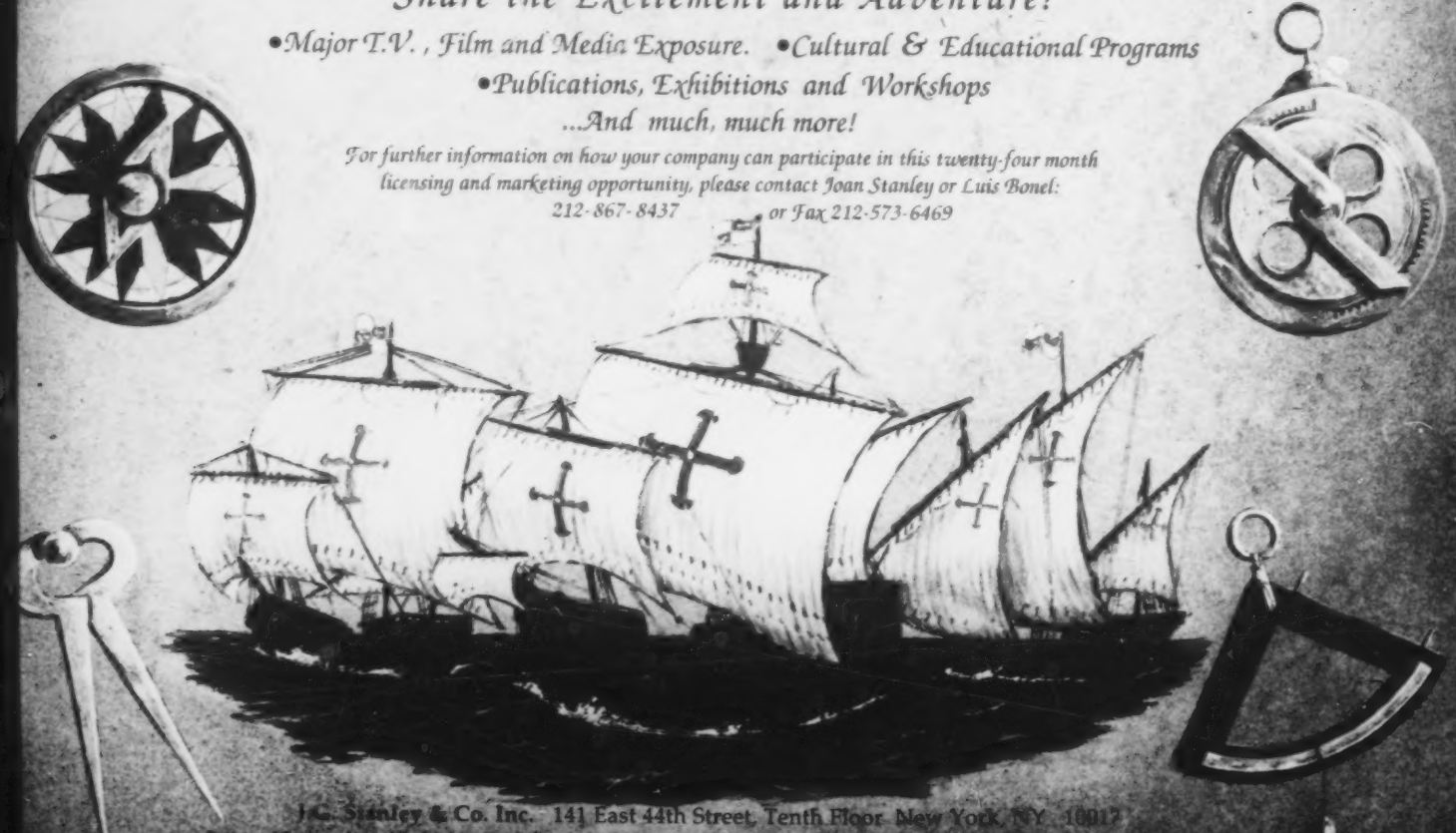

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[Special Report 4] The 1992 Barcelona Olympic Games and their important financial, media and organizational ramifications are the highlight of this issue's "Special Report." We present an exclusive collection of articles and information prepared by top executives involved in all aspects of this quadrennial event.

[Spain Survey 23] This section features an in-depth industry sector analysis of Spanish real estate. It tracks the origins of the changing market and the implications for investors looking for commercial and industrial opportunities.

—ALEXANDER ROBARTS
Editor-in-Chief

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ADVERTISING:
Contact the Publications Department at the Chamber, tel: (212) 967-2170, fax: (212) 564-1415.

THE BUSINESS LINK is a quarterly business review published as a service to the members of the Spain-USA Chamber of Commerce Inc., a non-profit organization, 350 Fifth Avenue, Suite 3514, New York, NY 10118. Telephone (212) 967-2170. Copyright 1991. Second-class pending postage at New York, NY and additional mailing offices. Printed in the United States of America. Subscription rate to non-members: $42.00 per year U.S. and Canada; 5,500 pesetas in Spain

The articles in this publication express the views of the authors and not the publication. The publication disclaims any and all responsibility for the content or opinions expressed herein.

The Barcelona Olympics: Business & 'Friends for Life'

For all of us active in business, it is unusual to talk about organizations created to develop world class projects and at the same time "born to be killed." Such is the case of the Barcelona Olympics Organizing Committee. The COOB '92 is, however, just the most visible part of a monumental, coordinated effort by Spanish, Catalan and local communities that hope to accomplish more than a few days of successfully organized sporting events. The best proof of COOB's commitment is the decision to use "Friends for Life" as the theme of the Barcelona Olympics.

Domestically, the Olympics represent for Spain not only a catalyst for a dynamic and competitive economy within Europe, but also the most ambitious program the country has undertaken in the last century: to create a state-of-the-art telecommunications system, a modern infrastructure and a society with regained self-confidence.

Internationally, the event offers Spain coverage in the most prestigious media all over the world, providing Spain with an image much closer to the position the country has earned in the last fifteen years. The international business community has been no exception, and many executives have turned their eyes—and projects—towards a "rediscovered" Spain.

Much like the mythical Phoenix, the Olympics are already establishing a base for the Spain, Catalonia and Barcelona of tomorrow to take wing just as the XXV Olympiad becomes history. The Games will do this by spreading around the world the message that the Catalan people have been, for over a millennium, a business community where handshakes advance deals and friendships. We are committed to helping more U.S. companies take advantage of these business opportunities while making "Friends for Life."

—MIGUEL SEBASTIA

Chamber Sponsors Reception on U.S. Media and Marketing Opportunities Related to 1992

Norman Vale, Director General of the International Advertising Association.

The Spain-USA Chamber of Commerce, in conjunction with the International Advertising Association (IAA), presented an overview of the media and marketing opportunities in the United States relating to the world-class 1992 events in Spain. Over 100 persons attended the event, which was organized as a reception at the elite Barcelona Paradis restaurant in New York City on April 30.

After a brief introduction by Chamber executive director Miguel Sebastiá, Ambassador Miguel de Aldasoro, Consul General of Spain in New York, outlined the attractive investment climate in Spain today. Pointing to robust economic growth spurred by Spain's entrance into the Common Market in 1986, Ambassador Aldasoro encouraged marketing and advertising executives at the reception to capitalize on the high prestige and visibility in the United States generated by the 1992 Barcelona Summer Olympic Games, the events surrounding the Quincentennial celebrations of Spanish heritage in the US and the World's Fair in Seville.

Spain is at an important crossroads, the Ambassador emphasized, and it will continue to work toward establishing itself as a solid investment and economic platform for all types of business operations with the Common Market. The Spain beyond 1992 will be a vital and dynamic business center catering to the fifth largest consumer market in Europe.

The Director General of the International Advertising Association (IAA), Norman Vale, discussed the tremendous advertising potential in Spain. Over the past few years, advertising and promotion expenditures for US subsidiaries in Spain as well as for Spanish companies has increased at a phenomenal rate, from $713 million in 1980 to $5.6 billion in 1989. Another important factor about media opportunities relating to Spain is the pool of top-flight artistic and creative talent in Spain for all types of promotion, Mr. Vale stated. For these reasons, the IAA will be holding its bi-annual Advertising World Congress there from September 27-30, 1992. By the time of the Congress, Mr. Vale claimed that Spain could very well be the fifth largest advertising market in the World. Chamber President Ricardo Jové delivered the final presentation of the reception which addressed the new marketing focus of the Spain-USA Chamber of Commerce. Mr. Jové stated that the Chamber has made

Ambassador Miguel de Aldasoro, Consul General of Spain in New York discusses Spain's attractive investment environment.

significant efforts to expand beyond the common conception of a chamber of commerce's mission and goals. In addition to providing a forum for business contacts and the exchange of ideas for Chamber members, he explained to the reception attendees how the Chamber has adopted a trade and economic public relations focus, offering media and marketing services.

For US companies aiming to establish or reinforce business relations with Spain, as well as for Spanish compa-

Guests including Loretta Matuozzi, center, of the International Advertising Association attend Chamber reception on U.S. media and marketing opportunities relating to world-class 1992 events in Spain, particularly the Barcelona Summer Olympics, World's Fair in Seville, and the celebration events associated with five hundred years of Spanish heritage in the U.S.

President of the Chamber Ricardo Jové discusses the Chamber's new objectives, as Miguel Sebastiá looks on.

nies seeking to penetrate the US market, the Chamber offers various ways to be more closely associated with the 1992 world-class events in Spain. Mr. Jové described the four areas where specific marketing services are available to members, including Business Development, Promotional Galas, Cooperation Agreements and Media Communications.

Currently, the Chamber is organizing a multi-industrial promotion tour of the United States and Canada where, in each city, a full-day "business opportunities with Spain" presentation will take place. Business development services will be available through various types of sponsorship packages. On the promotional Gala level, the Chamber has organized a Gala at the Plaza Hotel in New York City in honor of the Barcelona Olympic Games with Christopher Forbes of *Forbes Magazines* as chairman.

Mr. Jové explained that the cooperation agreements at the Chamber involve media and public relation packages tailored to specific strategic marketing needs of US and Spanish medium-sized and large companies. Finally, the Chamber offers direct media access to a targeted bi-national audience of senior public and private sector executives served by the Chamber's financial and economic quarterly magazine, *The Business Link*. The newsletter, "The Link Letter" and the Chamber's bi-annual directory are other communication services offered to Chamber members. Ω

Reception guests listen intently to Ambassador Miguel de Aldasoro following cocktails and tapas at the Paradis Barcelona Restaurant in New York City.

Executive Director of the Spain-U.S.A. Chamber of Commerce, Miguel Sebastiá, second from left, and Marianne Burge of Price Waterhouse, center, listen to Norman Vale of the International Advertising Association, describe Spain's dynamic advertising industry.

Summary of Board of Directors Meeting Preceedings

Thursday May 23, 1991 at Telefónica de España, New York City

The Board of Directors convened at 12:30 PM to discuss the following business:

I. Approval of minutes of previous meeting.

· Mr. Michael Greenberg read the minutes from previous meeting and these were approved unanimously.

II. Report by the President

Mr. Jové reported the following:

· On February 15, 1991, there was a presentation at Lehigh University in Bethlehem, PA, on "Doing Business With Spain." The presentation was sponsored by the University International Trade Development Program.

· On May 3rd, 1991, the Chamber participated in a European symposium which was sponsored by the World Trade organization in Boston, MA. Spain was represented by personnel from the New England Business Council, New York Chambers Office, NY Commercial Office and regional representations from Spain.

· On April 30th, 1991, the Chamber hosted a presentation of the Chamber's activities to Marketing and Media executives. The featured speaker was Mr. Norman Vale, Director General of the International Advertising Association. The presentation was preceded by a brief introduction by Ambassador Miguel de Aldasoro and Chamber President Mr. Jové.

· During the weeks of May 6 and May 13, 1991, Mr. Jové and Mr. Sebastiá visited Spain to follow up on commitments by possible sponsors for the Annual Gala (June 21, 1991) and to further advance negotiations for sponsorship and participation in the upcoming road show.

III. Report by the Treasurer.

· The update on the financial status was presented by the Treasurer and noted by the Board of Directors.

IV. Nomination of Chairman for 1991 Gala.

· A motion to nominate Mr. Christopher Forbes, of *Forbes Magazine*, was made and approved.

V. Reports by Chairs of Different Committees.

· The Nominating Committee presented a list of names for nomination for one and two-year board members. The total number of Board Members is forty.

· The Membership Committee noted that Price Waterhouse has become a new corporate member.

· The Search Committee related the hiring of the new Deputy Director

The meeting adjourned at 3:30 PM. Ω

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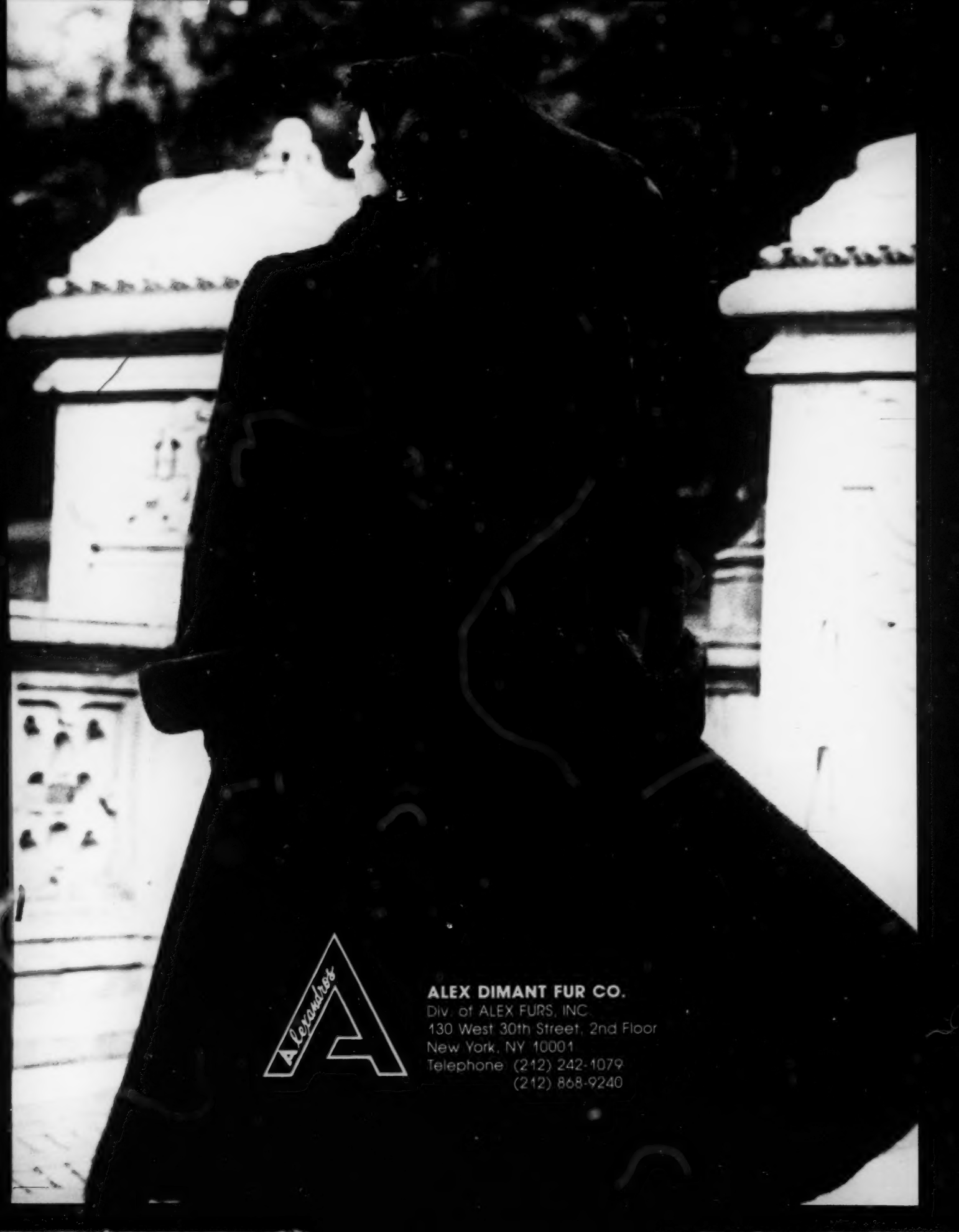

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Chamber Officers Attend Europe Seminar in Boston

On May 3, 1991, at the World Trade Center, Boston, officers of the New England Business Council of the Spain-U.S.A. Chamber of Commerce and the Spain-U.S.A. Chamber of Commerce in New York joined the U.S. Department of Commerce, Boston District Office at "Beyond Europe '92," a conference on business in the new Europe.

Massachusetts Governor William F. Weld welcomed the 187 attendees and spoke on "International Trade: a State Perspective."

The seminar provided companies with a unique opportunity to meet top Senior Commercial Officers (S.C.O.) from Europe.

Mr. Robert Kohn, S.C.O. Madrid, was extremely well received not only for his knowledgeable and positive presentation but also for his unique perspective, which created a new awareness of and interest in Spain-U.S. business opportunities on the part of those seminar attendees who had not previously considered Spain as a platform or gateway for doing business in Europe.

Master of Ceremonies was Mr. Richard Geiser, Chairman, Massachusetts Port Authority (Massport).

Special Guest Luncheon Speaker was Susan C. Schwab, Assistant Secretary and Director General, U.S. & Foreign Commercial Service, U.S. Department of Commerce. She spoke on the subject of marketing assistance and services of the government.

Other guest speakers were:

Mr. Jack Bligh, S.C.O. Bonn, Germany, who described a new Germany for a new Europe.

Mr. Daniel Hughes, S.C.O. Budapest, Hungary, spoke on Hungarian opportunities.

Mr. Edgar Fulton, S.C.O. Warsaw, Poland, covered the pitfalls and successes in Poland.

Mr. Manfred Bayer, Vice President-International for Jet Spray Co. spoke about his firm's experience in Europe. Jet Spray received from President Bush and Secretary of Commerce Robert Mosbacher on May 24, 1991, the prestigious Presidential "E-Star" Award for Exporting.

Seated at the Luncheon with S.C.O. Robert Kohn were the Honorable Julio Jacoiste, Consul General Spain - Boston, Melvin Ravech, Esq., Honorary President, New England Business Council, special guests from New York, Spain-U.S.A. Chamber Executive Director, Miguel Sebastia, and Deputy Director Miguel Matilla. The Commercial Office of Spain was represented by Mr. José Antonijuan. Ω

The newly formed Spain-USA Chamber (New England Business Council) address is: 125 Summer Street, 17th Floor, Boston, MA 02110. Telephone (617) 439-8777. Fax (617) 439-8734. Contact: Robert F. Charriere, Executive Director

Canary Islands' Trade Promotion Office at the Chamber

The Canary Islands Trade Promotional Office (PROEXCA), has recently designated the Spain-U.S.A. Chamber of Commerce as its base for operations in the United States.

The aim of PROEXCA is to carry out activities that promote the export of products and services from the Canary Islands to foreign countries, as well as attracting foreign investment to the Islands. This is done by establishing trade links through the creation of channels of supply and distribution; negotiation and solution of any problems concerning import/export requirements, legislation and tax-free zones; and also by offering market research and technical assessment on management and financing.

The Canary Islands economy is based mainly on tourism, as well as on industry, agriculture and fishing. The main export products include tomatoes, bananas, flowers and, to a lesser extent, cucumbers and tropical fruits. The Canary Islands Archipelago has an important commercial advantage for possible investments due to its infrastructure, excellent communication and transportation networks, industrial parks and a highly-skilled labor force. The existence of free ports, the availability of generous promotional assistance from the European Common Market, and political endorsement to promote and develop the Canary Islands economy makes the region an excellent location for investment.

The Canary Islands economy is based mainly on tourism, as well as on industry, agriculture and fishing

Lately, the Canary Islands' government has shown interest in creating a financial offshore area for promoting its role in the international financial markets arena.

Geographically, the Canary Islands form a unique meeting point between Europe, America and Africa, making them an excellent strategic operational base for international trade. Ω

For further information, contact PROEXCA'S representative at the Spain-USA Chamber: Pedro Quintana at (212) 967-2170.

EACC Honors EC Ambassador to United Nations

Mr. Eamonn Gallagher, Ambassador and Head of the Delegation of the Commission of the European Communities to the United Nations, recently addressed the members of the European-American Chamber of Commerce (EACC) in New York. The lecture on the recent developments in the European Community was part of EACC's breakfast briefing series of 1991. It was a particularly timely event as the Ambassador was preparing for the European Council of Ministers meeting in late June.

Ambassador Gallagher served many years in the Irish public administration and diplomatic service, during which time he spent nine years as Irish Vice Consul for Boston and New York. In 1975, he became Deputy Secretary at the Ministry of Foreign Affairs in Dublin. After joining the Commission of European Communities in Brussels as Deputy-General, External Relations, responsible for GATT relations with the U.S. and Canada, agriculture and fisheries affairs. Ambassador Gallagher became the Director-General for Fisheries in 1977. He was named the head of the Delegation to the United Nations in 1990.

The EACC is a non-profit membership organization made up of the eleven bi-lateral European Chambers of Commerce including the Spain-USA Chamber of Commerce. The EACC provides the members of each bi-lateral chamber with greater understanding of and access to the public and private institutions of European-American relations. Ω

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Spain 1992 and Beyond: A presentation of Multi-Industrial Business Opportunities with Spain

An interview with Christa Seewald de Vicente, Special Projects Manager, Spain-USA Chamber of Commerce

QUESTION: What is the goal of this presentation?
ANSWER: We realize that entrepeneurs do business only with the people they know. We want them to receive complete and useful information on Spain as a business partner.

Q: What are the benefits for participants?

A: Time and money. By bringing the presentation to the participants they will save the time and the money of sending executive teams to Spain. Additionally, the participants receive first-hand information from leading experts in different fields.

Q: Which companies can profit from this event?

A: American and Canadian companies with sales over $10 million, with internationally competitive products or services and with a willingness to expand into Spain as platform for business with Europe.

Q: What advantages does Spain offer?

A: A solid economic infrastracture, liberal trade policies, interesting investment incentives and a wide range of modern manufacturing facilities. Spain has experienced the highest economic growth in Europe during the past years. A domestic consumer market of 40 million inhabitants and 50 million tourists a year have created a dynamic market for all types of products and services.

Q: Can you tell us something about the presentation?

A: It is a one-day presentation in nine leading economic areas of the U.S. and Canada. During the morning session, experts on doing business with Spain will give brief, to-the-point information. After a business luncheon, round tables on specific sectors will be organized.

Q: What are the presentation topics?

A: They are Marketing and Sales Strategies, Sources of Credit and Financing, Legal Aspects of Investment and Operations, Import/Export Trade Logistics, and Data on Important Spanish Industrial Sectors.

Q: How can companies not included in the target group participate?

A: Disseminating information on our presentation to clients and business associates is itself a valuable service to them and will result in the generation of new business, eventually profitable for all those involved.

Q: What next steps should interested companies take now?

A: Contact us in order to receive an informative folder together with a data sheet to be filled out and returned to us.

Q: What actions will follow after the presentation?

A: In collaboration with the sponsors we will provide periodical information and specific assistance to all those companies which are committed to enhance their business with Spain. Ω

For further information, please contact: Ms. Christa Seewald de Vicente, Spain-USA Chamber of Commerce, Inc., Empire State Building, 350 Fifth Avenue, Suite 3514, New York, N.Y. 10118, Phone: (212) 967-2170, Fax: (212) 564-1415.

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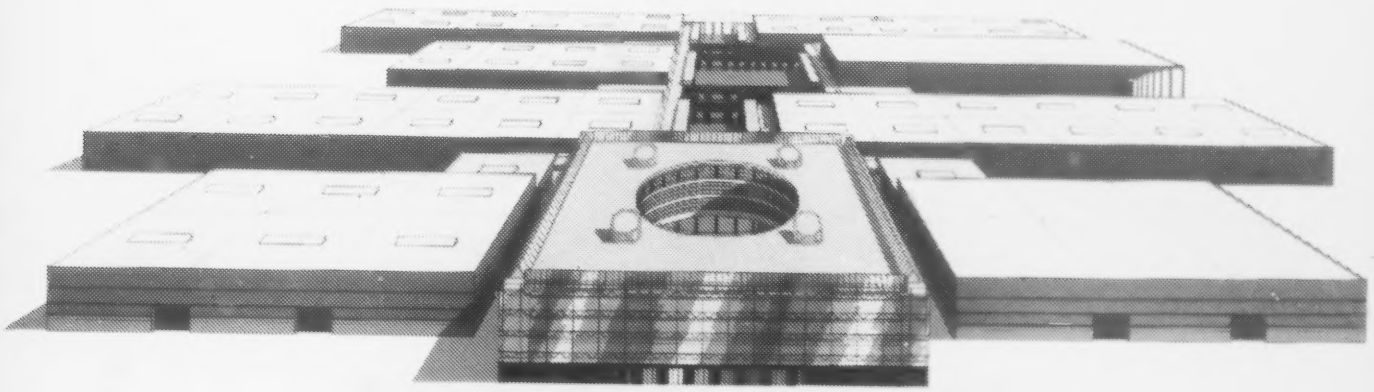

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U.S. Sports & Leisure Firms Discover Spanish Market

No amount of preparation, not even my Hispanic background and business activities in Mexico could have alerted me to the vitality, economic viability, and buying power I witnessed in Spain as a member of a trade mission to Spain and Portugal in March

BY GILBERT CISNEROS

As administrator of Region VIII of the U.S. Small Business Administration (SBA) in Denver, I represented the agency for a Matchmaker Trade Mission, one of several sponsored by the U.S. Department of Commerce (DOC) and SBA each year. This particular mission to Barcelona, Madrid and Lisbon served the sporting goods and leisure apparel industries.

I departed Spain with a sense of urgency and excitement—excitement at the potential for U.S. small firms doing business there and urgency about the desire to introduce more American small businesses to opportunities in Spain. I marveled at the buying power of its citizens, the desire by Spaniards to do business with American firms, and the potential for increased sales for U.S. companies through international trade with the Iberian Peninsula. It is not well known that 3.3 per cent of total Western European tourists to the U.S. are from Spain, or that in 1990, the U.S. exported $5.2 billion of goods to Spain while importing $3.3 billion from that country.

Spain's per capita gross domestic product has almost doubled since 1986, allowing Spaniards to spend more time and money on leisure activities.

Even with the disparity between exports and imports, Americans have not been aggressive enough in exporting to Spain, with the result that there has been a significant absence of U.S. firms and products in that country. This was the opinion of a Spaniard who felt that the imbalance resulted from a lack of awareness and education as to the potential market in Spain. He noted that Spaniards are willing to "pay the price" for American goods. These figures and the reception and enthusiasm on the part of the Spanish business community are the basis for my enthusiasm for the potential of American small firms there.

Several of the 21 companies participating in the Trade Mission met with representatives of Spanish businesses at receptions, during meetings and for one-on-one discussions. For many, this was the first venture into the European market, although 10 per cent did international trade with other areas. They also came away charged up by the challenge of new markets and the belief that the trip was worthwhile.

Fourteen of the 21 companies offered products in the athletic wear and leisure apparel category, while seven dealt with sporting goods and fitness equipment. California, with five firms, had the largest contingent, followed by Florida with three. The West Coast was also represented by one firm from Washington state. The Eastern U.S. had one firm from each of the following states: New York, New Jersey, Maryland, Pennsylvania, and West Virginia, as well as Washington, D.C. The Mid-West had one firm from each of the following states: Ohio, Wisconsin, Michigan, Iowa, Indiana and Illinois. The West had only Wyoming participating.

Joseph Klapp, owner of Mopet Mopeds of Ohio, an American manufacturer of mopeds, was unsure of the market potential in a European country given the already established popularity of European-made vehicles. However, the result far exceeded his expectations, for he walked away with several orders which he attributes to the low price of his mopeds. Klapp also expects to have

to rehire a former employee in order to fill his orders.

Cade S.A., a Barcelona firm, has already paid a visit to American Design & Manufacturing in Seattle to follow up on an order for design work on sports apparel. Speaking for the firm, Kevin Conroy called the mission "really good."

"Dollar for dollar, the trade mission is the most effective way to promote your product internationally." Harriet Stone of NDL Products, Pompano Beach, Florida, maker of neoprene athletic products claimed that this, the first trade mission she has participated in, was much more successful than the trade and catalog shows she has attended for the past 13 years. She found a distributor for each line she carries and she expects this will eventually mean $500,000 in sales annually.

Several other firms also came away with concrete orders and many indicated that they intended to participate in future trade missions because of the successes and "professionalism" of the trip and government staffs involved.

How to Participate

How does a firm participate in a DOC/SBA-sponsored trade mission? DOC criteria require that it qualify under the Standard Industrial Classification (SIC) code for the industry highlighted for the mission. The company must be financially stable and pay all its own hotel and transportation fees. Naturally the fees differ depending on the countries visited.

SBA's contribution to the trade mission is to the individual firms. If a firm qualifies under DOC requirements, receives no other financial aid, is a small business under SBA size standards, and passed Dun and Bradstreet and SBA field checks, it will be paid $500 for a report to be submitted at the end of the mission. Reports are requested from the first ten firms to apply.

Each firm is required to submit company literature for the Matchmaker participant catalog and brochure. Although individuals are responsible for making their own travel arrangements, they must adhere to an itinerary planned by the Department of Commerce. Hotel arrangements are made by the DOC. An all-inclusive instructional packet is given each firm by DOC to make the trip as easy as possible.

Benefits of Matchmakers

The purpose of the Matchmaker Trade Missions is to "match" firms with potential agents, distributors and joint venture or licensing partners. The DOC does the background work—evaluating the product's potential, finding and screening contacts and handling logistics. It prescreens prospects interested in a particular product or service, does in-country publicity, schedules business appointments through the U.S. Embassy or Consulate, gives thorough briefings on market requirements and business practices and offers interpreter services. Trips are usually limited to one tightly scheduled week.

As a follow-up to the mission, we in Region VIII are planning "How to Do Business in Spain" events in Denver and Salt Lake City in September. The agenda probably will be similar to previous events with morning presentations followed by a luncheon.

Because of its location, Region VIII, comprising Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming—the heart of recreational areas, as well as agriculture, mining, oil and gas, and space-oriented industries—offers those products and services appropriate for exporting to Spain.

I am enthusiastic about the part we can play in reaching out to U.S. small firms and informing and educating them about the potential of the Spanish market. I see an untapped venue that offers an increase in sales for small businesses. Coupling that with the receptive attitude of the Spanish business community can only result in successful trade between the two nations. Ω

MR. GILBERT CISNEROS *is the SBA Regional Administrator for Region VIII, covering Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming.*

Companies participating in the Sporting Goods and Leisure Apparel Trade Mission to Spain and Portugal

American Soccer Company
726 E. Anaheim St.
Wilmington, CA 90744
(soccer & field equipment, soccer apparel)

Mopet Mopeds
405 A Old Gallia Pike
Franklin Furnace, OH 45629
(mopeds)

Area Rule Engineering
32232 Azores Rd.
Laguna Niguel, CA 92677
(fishing tackle & equipment)

Lake States Footwear, Inc.
10620 N. Port Washington Rd.
Mequon, WI 53092
(leisure footwear)

NDL Products, Inc.
2313 N.W. 30th Pl.
Pompano Beach, FL 33069
(neoprene athletic products)

Stahls' Inc.
20600 Stephens Dr.
St. Clair Shores, MI 48080
(silk-screened & heat sealing products)

Silverwood, Inc.
345 W. 70th St.
New York, NY 10023
(artwork on t-shirts)

Stanley Michaels
5280 N.W. 165th St.
Miami, FL 33014
(silk-screened beachwear)

Beach Patrol Sun Systems
107 Madison Ave.
Pleasantville, NJ 08232
(sun care products)

American Design & Manufacturing
1407 S. Dearborn St.
Seattle, WA 98144
(design work t-shirts, sweatshirts)

Logo-7
3229 N. Shadeland Ave.
Indianapolis, IN 46226
(athletic wear)

Jewel & Co., Inc.
7040 Virginia Manor Rd.
Beltsville, MD 20705
(printable sportswear)

Peace Frogs
1263 35th St. NW
Washington, D.C. 20007
(leisure-athletic wear)

Mary Fashion Mfg. Co., Inc.
380 West Main St.
Bath, PA 18014
(leisure active wear)

Stadium T's Int'l.
5150 N.W. 165th St.
Miami, FL 33014
(sweatshirts & t-shirts)

CYA in California
830 Traction Ave.
Los Angeles, CA 90013
(leisure wear)

Brunton/Lakota
620 E. Monroe St.
Riverton, WY 82501
(compasses)

S & E
1605 4th Ave.
Charleston, WV 25312
(snowboard & skateboard apparel)

Central City Manufacturing
P.O. Box P
Central City, IA 52214
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Stones from Spain: A Sector with Great Potential in the U.S. Market

New promotional efforts are consolidating the world's desire for unique products of the Spanish landscape

BY JOSÉ ANTONIJUAN & ANDREU MATEU

For the past 13 years, total world production of natural stone (marble, granite, limestone and slate) has increased by 71 per cent. In 1990, world stone production totaled approximately 30 million metric tons, more than twenty times the quantity produced in 1925, making it apparent that this market has been undergoing a rapid growth rate in these past years.

Italy is responsible for 20 per cent of this total stone production (measured by quantity), while 10 per cent was produced in Spain, making Italy the world's largest stone producer and Spain the world's leading producer of granite and slate alone. Granite production in the world is increasing rapidly. In 1990, it represented 32 per cent of total stone production as compared to only 13 per cent in 1926.

Spain's principal export markets, measured in tons, are as follows: Italy 33 per cent; France, 25 per cent; Taiwan and the USA each with 9 per cent. However, the ranking of the main export markets varies when importance is measured in dollar value: France, 30 per cent; USA, 16 per cent; Italy, 11 per cent and Germany 10 per cent. This variation is due to the fact that stone block prices are considerably lower than elaborated stone: either slabs, tiles or cut-to- size. Spain exports large quantities of stone blocks to Italy which, in turn, elaborates and exports the material worldwide.

By looking at the accompanying charts, we can appreciate how much Spain exports to the U.S. and the importance of Spanish stone for total U.S. imports as compared to that of other countries. However, the Italian share of the U.S. market does not necessarily mean Italian stone share of the market as a whole. Sadly, Spanish stone that has been imported from Italy can quite often be found in the U.S. One questions the reason for this occurrence. Does Spain have the capacity to manufacture finished stones itself?

Spain not only possesses the quarries and varieties of stone, but also the necessary machinery, technology and know-how to fabricate the stone and offer a finished product of equal quality to that of the Italian product. Some experts maintain that Spain has the same machinery as the Italians but that it is, in many cases, newer.

Why then is it that Italy is selling Spanish stone, such as "Rosa Porriño" granite, in the U.S. market? What is the difference between the Spanish and Italian stone industries? Besides the difference in certain colorations in each country, the main difference between them is Italy's long-time marketing effort of its stone. The Italian government and Italian businessmen have been marketing their stone products in the world market and specifically in the U.S. for quite some time. Spain, however, with the exception of a handful of companies such as the well-known Ingemar, Ramilo, and Levantina, among others, has yet to initiate a worldwide marketing effort comparable to the Italian endeavor.

Spain has, without doubt, the quarries and the manufacturing capability to fabricate a quality product. We now must coordinate and improve our marketing efforts to increase sales by far more than the present growth figures. We must

educate the U.S. market on our diverse and unique colors of stone, our fabricating centers, our technology, and, as well, on our proven, long-term experience in both exterior and interior construction.

How can these obstacles be overcome? To achieve such a coordinated marketing effort, a high degree of awareness of the current situation is needed by both the Spanish Administration and the individual companies and associations. This awareness is being achieved.

How is the Spanish Administration reacting to the present situation? The Ministry of Industry hired the prestigious firm of Price Waterhouse to assess the Spanish stone industry and its potential in the international market. Price Waterhouse published a very optimistic report about the potential Spanish stone has in the world market. In addition, the Spanish Institute for Foreign Trade, ICEX, has already collaborated with different promotional activities that the Federation of Natural Stone has been organizing since June 1990. At the present time, an extensive directory of companies and materials is being prepared with the assistance of ICEX.

A few Spanish companies have been in touch with the American market. Until 1988 there were only regional associations of stone manufacturers in Spain. The private sector was in serious need of an association that would coordinate the efforts of all the different companies. There was no single association grouping all the companies that would be strong enough to interface with the Spanish government.

In May 1989, Mr. Gregorio Nieves, publisher of the only magazine for the Stone sector, *Roc Maquina*, led the creation of the F.D.P. (Federación para el Desarrollo de la Piedra Natural), the Spanish Federation for the Development of Natural Stone, whose Board of Directors were the presidents of the various regional associations that had existed for some time. The Association of Manufacturers of Abrasives and that of Diamond Cutting Tools also joined the Federation.

The promotion of Spanish stone in international markets, especially in the major markets of the U.S., Germany and Japan, is one of the highest priorities of the Federation. Mr. Antonio Rodriguez, a geologist who was appointed Executive Director, has enthusiastically been running the Federation since its inception.

Different promotional activities have already been undertaken by the F.D.P.: In June of last year it organized a trip for all the members of the Board of Directors and other key people, who visited and interviewed experts in Miami, Los Angeles, Montreal, Toronto, Chicago, Houston and New York. They also invited a group of 25 professionals from the U.S. and 250 from other countries to visit, in February of this year, the EXPOPIEDRA '91 Show in Seville. Last May 1st-4th, the Miami Beach Convention Center hosted the International Tile Exposition and of the 49 Spanish manufacturers of stone, Artemarmol, Bermarmol, Grupo Levantina, Iberstone Group and Stone Marble attended. Ingemar, one of the biggest manufacturers of finished granite in the world, was also represented.

Why is Italy selling Spanish stone, such as "Rosa Porriño" granite, in the U.S. market?

All these activities are only the beginning, and the Federation has very ambitious plans for 1992.

Encouraging results are being achieved due to the efforts of both the government and the private sector. In 1980, the Ministry of Defense acquired a large number of military aircraft from MacDonell Douglas under an agreement (the offset program FACA) whereby that company would help the Spanish government to balance trade by developing markets in the U.S. for Spanish companies. The Trading Company International Trade Development Corporation, lead by Mr. Robert Keller, has been MacDonell Douglas' principal collaborator in realizing this program.

We are pleased and happy to announce that the company Associated Marble Industry Inc. has been awarded a contract to supply Spanish granite tile and dimensional stone for one of the largest construction projects in the U.S., the renovation of the central passenger terminal building at New York's La Guardia Airport.

Transnational has been deeply involved in the negotiations between Associated Marble Industry Inc. and the Spanish companies Artemarmol and Granite World. Also, the future tallest building in Cleveland, Ohio, the 65-floor Hotel Hyatt, designed by the architectural firm Kohn, Pederson & Fox, will have Spanish "Conquistador Beige" marble in its walls.

These are only a few of a good number of important recent projects in the U.S. for which Spain has supplied or is supplying stone.

Of course, the economic recession has greatly influenced the construction sector in this country and therefore, stone market size is not growing as rapidly as could be hoped. Nevertheless, we have the potential of taking a bigger share of this market and we will do our best to do so. Ω

JOSE ANTONIJUAN & ANDREU MATEU *are Director and Deputy Director, respectively, of the Commercial Office of Spain's Industrial Products and Technology Department.*

El Sector de la Alimentación en los EEUU

España es el primer proveedor de alimentos enlatados para los EEUU

POR MARTA RUIGOMEZ

El mercado americano de la alimentación presenta un gran potencial para el exportador español: un mercado con unos 244 millones de consumidores es un importante desafío.

Las prioridades del consumidor americano se dirigen hacia tres vertientes claramente definidas: La primera se basa en los alimentos fáciles de preparar - **Convenience Food**-, caracterizados por la comodidad. El 70% de los hogares americanos tienen microondas y se estima que el consumidor americano ocupa unos 15 minutos preparando su comida diaria. En segundo lugar, existe una gran preocupación por la comida saludable,- **Healthy Food**-. Son alimentos nutritivos, bajos en grasas y en colesterol. Por último, se encuentran los alimentos sofisticados y de alta calidad - **Specialty Food**-. Es la alimentación tipo gourmet. El empaquetado es un arte y el precio es elevado. Las conservas de pescado y de verduras se incluyen en este apartado.

El mercado americano de alimentación se orienta hacia el interior, ya que exporta menos del 4%, y se dirige hacia alimentos bajos en valor añadido. Mayoritariamente se importan alimentos más procesados y de tipo étnico. España es el primer proveedor de alimentos enlatados para los EEUU.

El coste de entrada en un supermercado es muy elevado. Se tienen que cumplir las regulaciones del Food and Drug Administration (FDA) y se exigen los "slotting allowances" (tasas de entrada). La eleccion del canal de distribución es crucial y depende básicamente del tipo de producto, del mercado al que va dirigido y de la inversión que se quiera realizar.

En un primer momento, el paso conveniente sería dirigirse hacia el mercado hispano. Las ventajas son la similitud en los gustos y la concentración en zonas geográficas específicas.

Introducción de Nuevos Productos Envasados
(% de incremento 1989)

Alimentos para gatos	66%
Pescados y derivados	51%
Cereales (desayuno)	48%
Cafés	46%
Galletas	21%
Arroz	20%
Agua Mineral	18%

Fuente: SUPERMARKET BUSINESS (MARZO 1990)

Para las PYMES, una primera posibilidad es dirigirse al mercado con la marca del importador. Estas empresas americanas tienen un poder y una experiencia en el mercado que les permite tener su propia red de distribución. Los productos se importan con las características de envase y etiquetado de acuerdo con la regulación americana. Dado el menor riesgo, el esfuerzo del exportador es mínimo en comparación con las demás alternativas.

Sin embargo, si se quiere crear una imagen de calidad y de marca, la opción idónea sería la introducción mediante importadores-distribuidores y/o food-brokers. Una buena elección de los mismos permite tener mucho campo ganado, pues conocen bien el mercado. Es fundamental el seguimiento y apoyo continuado a la red de ventas del distribuidor. Un paso más, es la elección de importadores que a la vez sean minoristas. Para dar a conocer la marca, se establecen acuerdos promocionales con los distribuidores y con los minoristas.

Por último, existe la posibilidad de creación de una oficina propia en los EEUU. Las ventajas que ofrece, son el conocimiento directo del mercado y el contacto continuo con la red de distribución. Está dirigido hacia empresas con posibilidades de inversión y con claros objetivos de permanencia a medio y largo plazo. Se suelen abrir en zonas claves como Nueva York o Miami. Una o dos personas a su frente suele ser suficiente. El resto se subcontrata (almacenes, camiones...). Otra opción, sería la presencia de un delegado no permanente, pero sí de forma regular.

Independientemente de la distribución elegida, los "alimentos de España" se deben introducir por la calidad, el diseño, el envase y la imagen de marca. Los alimentos españoles constituyen una buena alternativa a los italianos y a los mexicanos, pero se necesita un mayor conocimiento, a nivel de imagen de marca y de producto español. Es necesaria una gran labor de promoción, pero merece la pena por el gran potencial de absorción que presenta el mercado americano.

Las verduras, condimentos y salsas siguen teniendo grandes posibilidades, ya que se buscan alimentos que acompañen a los ya preparados, y que sirvan para dar un toque personal a las dietas. Alimentos sofisticados, de alta calidad y acompañados de una buena promoción cumplen estas características. Otra posibilidad está en la introdución de alimentos semipreparados faciles de cocinar, y sin olvidar una buena presentación. Ω

MARTA RUIGOMEZ *es economista y actualmente es asesor de comercio exterior para la cámara de comercio e Industria de Madrid en Nueva York.*

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A Space Deficit in Spanish Real Estate

The economic, tax and demographic factors which gave rise to the fastest growing real estate market in Europe during the latter half of the 1980's have decelerated

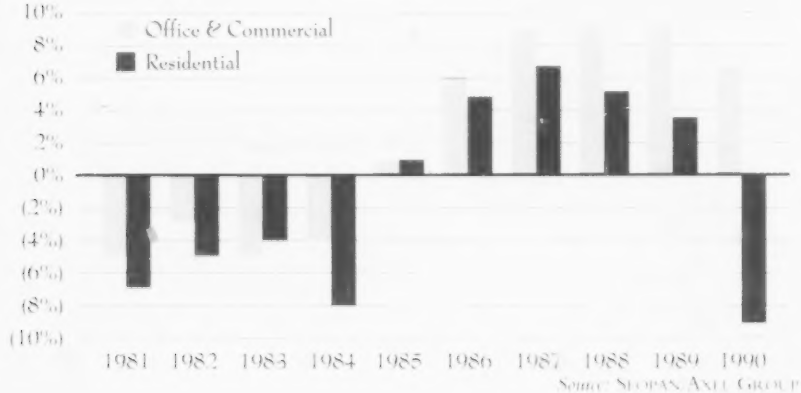
BY JOAQUIN TAMAMES

After almost ten years of stagnant and declining property prices due to a number of economic and political uncertainties, the Spanish real estate market began to recover in 1986, primarily due to EC membership, which unleashed an unprecedented economic expansion across the country. Since 1985, the Spanish property sector has been the strongest in Europe, with a rapid and widespread growth in rents and prices. The recovery was most pronounced in Madrid, which is by far the largest and most significant office market in Spain.

In the residential sector, a combination of demographic changes and depressed housing prices triggered a revival in housing demand between 1985 and 1989. The previously weak price environment had its origin in the tax reform act of 1978, which introduced the wealth tax and other personal tax measures and caused a large and sudden oversupply of housing units as owners sold their premises in favor of liquidity and rental accommodation. By 1986, pent-up demand and attractive residential prices stimulated a large increase in demand for housing from the growing 25-to-30-year-old segment of the population. This wave is now by and large past, and housing demand is expected to remain relatively weak in the years to come.

One of the chief obstacles to new office construction and the development of a Spanish property market was the existence of highly restrictive tenancy laws, which provided occupants with perpetual security of tenure at fixed rents subject only to inflation indexation. The Boyer Law terminated this security and liberalized the market, so that landlord and tenant are now free to negotiate new occupancy contracts. This has resulted in a market in which the supply of office space is not merely determined by the needs of the owner-occupant but also by the demand for rental space.

Percentage Annual Change in New Constructions



Source: SEOPAN/AXEL GROUP

Urban Development Regulations

The introduction of the Boyer Law removed one major obstacle to the development of new rental space. However, highly restrictive urban planning regulations have made land a scarce product in all major cities in Spain and as a result development costs have increased. Ironically, restrictions on developments were partly implemented to curb land speculation, but had the opposite effect as these measures reduced available supply and contributed to a large increase in prices. As a result, the cost of land as a proportion of total development costs in central areas has increased from 30 per cent to as high as 70 per cent in certain projects. In addition, many individual land plots were intentionally kept undeveloped by private owners in order to extract attractive offers from developers, thus further fueling the speculative land market.

To increase the supply of land, the government recently passed a new Land Law which intends to accelerate the appearance of currently undeveloped

land on the market by setting maximum time periods for developing properties. At the risk of losing planning permission, this is expected to force individual land owners to sell and raise the supply available for developers with capital to build.

Parallel to economic development, the Spanish financial system underwent important changes, brought about to a large extent by the main European and American banks entering the Spanish market. New and innovative mortgage credit products were part of the changing economic climate and had an important effect on the property market as purchasers of real estate assets gained relatively easy access to mortgage financing. This development, together with strong consumerism in general, prompted the governments's tough anti-inflation policy which culminated in officially imposed credit restrictions on the banking system in 1989-1990. Although the restrictions were lifted in January of 1991, interest rates remain high and consumer financing is still prohibitively expensive.

The government's tough monetary policy has created one of the most expensive mortgage financing markets ion Europe. For example, mortgage rates in Spain are between 16 per cent and 17 per cent compared to around 10 per cent in France, while the inflation differential between the two countries is only about 3 per cent. To put this in perspective, the monthly mortgage bill for a new house owner in Spain would be 25 per cent higher on a 10-year loan than in France and 40 per cent higher on a 20-year mortgage. This situation is not improved by the fact that average per capita disposable income is lower in Spain than in France. Should interest rates fall over the next couple of years, we would expect to see a revival of the residential sector.

The Commercial Sector: Madrid

The demand for office space is largely determined by the performance of the economy in general. Membership in the EC and the strong economic growth across the country during the second half of the 1980's created a robust market for office property. The strength of this demand was also due to the low inventory of rental accommodation which existed prior to 1986. A regulated rental market provided no incentive for the development of property for investment purposes and as a result, office occupants only built what they themselves needed. Demand still exceeds supply in most central metropolitan areas, and the deficit is expected to last through 1993.

European Rental Growth and Returns
(1986–1989)

City	*Rental Growth*	*Yield*
Madrid	**115%**	**5.2%**
London	125%	5.0%
Paris	25%	4.9%
Milan	NA	NA
Frankfurt	66%	4.9%
Brussels	24%	5.9%
Amsterdam	27%	5.6%
Average	53%	5.3%

Source: RICHARD ELLIS/HEALEY & BAKER

The office market in Madrid is by far the largest and most significant one in Spain. However, and despite the strong growth the Madrid economy had experienced during the last five years, its office market remains one of the smallest and least developed in Europe in terms of net rentable space. Of the approximately 3,650,000 square meters (37,600,000 square feet) of total inventory of modern air conditioned office space in greater Madrid, only 35 per cent is available as rental property, with the remaining 65 per cent being occupied by owners.

In other European office markets, the proportion of owner-occupied office space is typically smaller. For example, available rental property in Madrid represents approximately 10 per cent of that available in Frankfurt and 25 per cent of the rental stock in Paris. A major reason for this situation was the existence of a highly regulated rental market where the supply was merely motivated by the space requirements of the owner-occupant. Madrid is also the only major European capital where the demand for modern rental property consistently exceeds the supply. Market estimates suggest that the current shortage is in excess of 50,000 square meters (537,500 square feet). Of this deficit, Madrid's core office market comprising the area around Plaza de la Cibeles, Paseo de la Castellana, Paseo de Recoletos, Plaza de Colon and Plaza de la Lealtad accounts for over 40 per cent, or approximately 20,000 square meters (215,000 square feet). This core location deficit is expected to increase and reach over 30,000 square meters (322,500 square feet) by the end of 1991.

For many of these reasons, Madrid is now the third most expensive European office center behind the long established locations of London and Paris. Between 1986 and 1989, rental costs in Madrid increased approximately 115 per cent compared to 125 per cent in London, 25 per cent in Paris and 66 per cent in Frankfurt. Despite this increase, however, rents in Madrid are still only 50 per cent of those prevailing in London and 73 per cent of rental costs in Paris. As of this writing in early February, market estimates for 1990 suggest that rental growth slowed somewhat and registered approximately a 12 per cent increase over 1989. Market expectations for 1991 range between 10 per cent and 12 per cent.

Capital values have responded accordingly, pushing yields on core site properties form 8.5 per cent in 1985 to 5 per cent today. As a result, yields in the city center of Madrid are now close to those available in other major European central office districts.

Overall, Madrid will continue to experience a relatively strong property market characterized by a consistent shortage of rental supply and strong tenant demand. The city represents an acute situation, as there is practically no clear solution to the supply shortage. An alternative exists in the suburbs and the market expects a continuing trend toward the city fringes as attractive office locations.

JOAQUIN TAMAMES *is a partner at the Axel Group, a marketing and financial research firm based in Madrid.*

THE OLYMPICS IN BARCELONA: THE FINAL STRETCH

PRESENTED BY THE SPAIN-USA CHAMBER OF COMMERCE

New York

A Special Report Sponsored by TELEFÓNICA DE ESPAÑA

THE WHITE HOUSE

WASHINGTON

June 13, 1991

SPECIAL REPORT

I am delighted to send warm greetings to the members of the Spain-U.S.A. Chamber of Commerce.

In 1992, when we will mark the 500th anniversary of Christopher Columbus's journey to the New World, we will also celebrate the close and enduring ties that exist between the United States and Spain. Those ties are deeply rooted in history, and they are enriched today through our bilateral trade and cooperation.

The year 1992 will be particularly significant for the Spain-U.S.A. Chamber of Commerce, as the Games of the XXV Olympiad will be hosted by Barcelona. The '92 Olympic Games will not only give the residents of that beautiful, historic city a chance to demonstrate their hospitality but also provide your members with new opportunities to enhance the commercial relations between our two countries.

I join with you in looking forward to the Games, and I send best wishes as you continue your important work. God bless you.

George Bush

Comité International Olympique
Château de Vidy, 1007 Lausanne, Suisse

SPECIAL REPORT

IOC PRESIDENT'S MESSAGE TO BUSINESS LINK MAGAZINE

Honourable Board of Directors of the Spain-USA Chamber of Commerce,
Dear friends,

Only one short year separates us from the great challenge that the Games of the XXV Olympiad in Barcelona will be for the people of that city and for the whole of Spain.

In organizing these Olympic Games, Barcelona, the Spanish people and the whole Olympic Movement are striving to achieve three main aims: To offer the participating athletes, artists and those who will accompany them, as well as the spectators and public at large, an atmosphere of mutual understanding, fraternity and peace at the greatest gathering of young people in the world; to strengthen the solidarity among the participants through a cultural programme which will help them to become mutually acquainted with their respective artistic expressions; and finally to show the world a true image of the region of Barcelona and of Spain in general.

Olympism is a philosophy of life which is the inspiration of a humanistic and pedagogical movement that seeks to blend sport with culture and education and create a way of life based on the joy found in effort, the value of good example and respect for universal ethical principles. It helps to improve our world by enabling people to get to know each other and strengthen their bonds of friendship. One of the main ways of achieving this goal is by the organization of excellent Olympic Games that harmoniously unite sport and art, the body and the mind.

The city of Barcelona, the people of Spain and the international Olympic Movement have the task of preparing the Games of the XXV Olympiad in such a way that they be worthy of the Olympic ideals. I am personally convinced that we shall organize them successfully and with dignity.

Dear friends, on behalf of the International Olympic Committee, of which I have the honour to be President, and of the whole Olympic Movement, I invite you to come the the Games of the XXV Olympiad in Barcelona where you will, I hope, enjoy the most unforgettable sports and cultural festival of your life.

Juan Antonio SAMARANCH

Lausanne, 29th May 1991

Barcelona the Olympic City

SPECIAL REPORT

Barcelona, the host city of the 1992 Summer Olympic Games, is the capital of the autonomous community of Catalonia and the second city of Spain. Located in the north-east of the Iberian Peninsula, it has a population of 1,700,000.

The city of Barcelona spreads over a plain bordered by the Mediterranean, the Serra de Collserola and the Llobregat and Besós rivers. This location has given the city a mild micro-climate with average temperatures of 9° C in winter and 23.5° C in summer, an annual rainfall of 600mm and about 2,500 hours of sunshine every year.

These geographical and climatic factors have made the city and its surroundings a major force in economics and commerce. Industry and the services sector in Barcelona have developed rapidly side by side, converting the city into a major center for foreign investment in fields such as electronics, data-processing, chemistry, pharmaceutical products and automation. This has produced a spectacular growth in the GPD of Catalonia, which represents 19.5 per cent of the total for Spain.

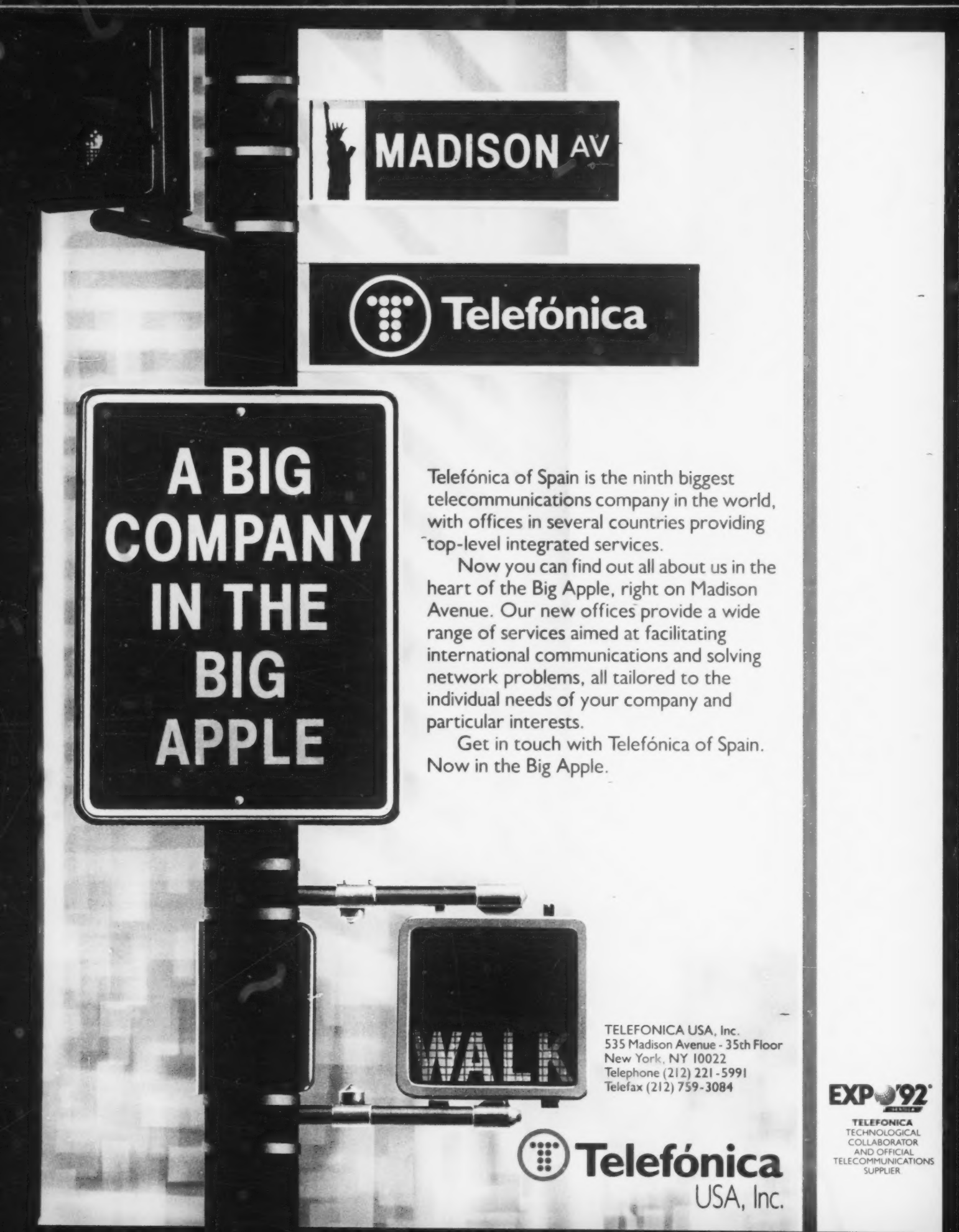
The active population of Barcelona and the surrounding area is put at 1,200,000, of whom 1 per cent work in the primary sector, 44 per cent in the industrial sector and 55 per cent in the services sector. Economic growth in the Barcelona area has brought about a substantial reduction in the unemployment rate. In 1989 it fell by 15.4 per cent as compared with 1988.

Barcelona's port at the turn of the twentieth century shown (above) contrasts with the view of Barcelona today (below) where Christopher Columbus points toward the new world.

Barcelona has a long tourist tradition. To its strong Mediterranean personality we must add a series of features such as the 14 km of beaches, the delicious local food, a wide range of cultural events and a substantial hotel capacity. Other outstanding features are the Costa Brava to the North and the Costa Daurada to the South, attractive tourist regions offering magnificent amenities to visitors. The Pyrenees, which abound with modern skiing and mountaineering resorts, are just over 100 km from the city.

These visitors have the opportunity to discover a vital aspect of the personality of the city: its culture. Over 2,000 years of history have left their mark on Barcelona: Romanesque and Gothic art rub shoulders in an urban landscape which they share with the heritage of the great geniuses of Modernism and the avant-garde. The city is now seeing a flowering of young artistic and cultural talent among its designers, musicians and painters.

Barcelona is inseparable from internationally known names such as Antoni Gaudí, Pablo Picasso, Pau Casals, Salvador Dalí, Antoni Tápies, Joan Miró, Montserrat Caballé or José Carreras. They are part of Barcelona. They are its culture. Ω



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Summer 1992 Schedule for Gold Medal Awards

SPECIAL REPORT

	July								August									
Olympic sports	*24 Fri*	*25 Sat*	*26 Sun*	*27 Mon*	*28 Tue*	*29 Wed*	*30 Thu*	*31 Fri*	*1 Sat*	*2 Sun*	*3 Mon*	*4 Tue*	*5 Wed*	*6 Thu*	*7 Fri*	*8 Sat*	*9 Sun*	*Total medals*
Opening ceremony		■																
Athletics								2	4	5	6		5	5	6	9	1	43
Badminton												4						4
Basketball															1	1		2
Handball																2		2
Baseball													1					1
Boxing																6	6	12
Cycling			2	1		1		5		1								10
Fencing							1	1	1	1		1	1	1	1			8
Football																1		1
Gymnastics					1	1	1	1	4	6						1		15
Weightlifting			1	1	1	1	1	1	1	1	1	1						10
Equestrian sports							2				1	1	1				1	6
Hockey															1	1		2
Judo				2	2	2	2	2	2	2								14
Wrestling					3	3	4						3	3	4			20
Swimming			4	5	5	5	6	6										31
Diving				1		1					1	1						4
Synchronized Swimming														1	1			2
Water polo																	1	1
Modern pentathalon						2												2
Canoeing									2	2					6	6		16
Rowing									7	7								14
Tennis															2	2		4
Table tennis											1	1	1	1				4
Shooting			2	2	2	1	2	1	2	1								13
Archery											2	2						4
Yachting										2	7	1						10
Volleyball															1		1	2
Closing ceremony																	■	
Medals			*9*	*12*	*14*	*17*	*19*	*19*	*23*	*28*	*19*	*12*	*12*	*11*	*23*	*29*	*10*	*257*

Supporting the American Olympic Dream

It's the generosity of nearly one million individual Americans and U.S. corporations that sustains our Olympic effort

BY JOHN KRIMSKY, JR.

SPECIAL REPORT

The United States has many of the most talented and dedicated athletes in the world, but they can't meet their full potential without financial support. America is unique in the Olympic world in that the nation's Olympic effort is propelled by its individual citizens and major support from the corporate community. The United States Olympic Team receives no government subsidy. The USA's Olympic team is truly representative of the free enterprise system.

The USOC has set an ambitious goal of $272 million as its budget for the 1989-92 quadrennium. This is a major increase compared to the $156 million spent to develop and support the U.S. Team during the recent four-year period which culminated with the 1988 Olympic Games in Calgary and Seoul.

A record 56 companies rallied to the cause during the 1985-88 quadrennium, supplying 43 per cent of total USOC revenues

Corporate Participation

The USOC relies substantially on the U.S. corporate community to support its Olympic effort. A record 56 companies rallied to the cause during the 1985-88 quadrennium, supplying 43 per cent of total USOC revenues.

Sponsors seek the marketing advantages of association with the world's greatest sporting events. The prestige and excellence which distinguish the Olympic Games are also qualities which America's successful companies wish to communicate to consumers about their products and services. Sponsors acquire the rights to use the U.S. Olympic marks and terminology on their product packaging and in their advertising and sales promotion, obtaining exclusivity within the product category.

USOC sponsorship competes for the marketing dollar against all other forms of advertising and promotional activities. On that basis, U.S. Olympic sponsorship must earn its share of the budget and prove its value. A company's sponsorship of the Olympic movement and its relationship with the 1992 U.S. Olympic Team generates a widespread and positive awareness of its products, enhancing sales, market share and profits. In a 1988 survey, 79 per cent of the Americans polled placed a positive value on products carrying the U.S. Olympic symbol.

As the USOC and its corporate partners come to understand each other, areas of mutual benefit can be recognized. A primary example of this was Visa's cause-related marketing program entitled "Pull for the Team." Visa made a donation to the U.S. Team every time its members used their cards. The result was $2 million in incremental income for the USOC and a 20 per cent increase over the previous year's Visa card usage.

Licensing

The USOC grants manufacturers, through a licensing agreement, the commercial right to use the USA/five-ring logo and USOC/laurel wreath logo on a designated product, product-packaging, and related advertising and promotional materials. In return, a roy-

alty payment is made to the USOC based on the quantity of product sold and its wholesale value.

The most significant change in the U.S. Olympic Committee Licensing Program for the 1989-92 quadrennium is the creation of a licensed apparel brand with exclusive retail distribution. The U.S. Olympic Committee entered into an agreement with J.C. Penney Company, Inc., in May 1989 for the manufacture and exclusive distribution of branded Olympic apparel under the name "USA Olympic." This apparel program, created for men, women and children, is currently available in 1,400 J.C. Penney stores across the nation. The U.S. Olympic Committee will also grant several traditional licenses in categories such as headwear, posters, fine artwork, watches, sunglasses, mugs, sport bags and pins. In addition, the USOC will expand into non-traditional product categories such as glassware, luggage, mattresses and home furnishings. In granting these licenses, the USOC recognizes the value of such products for supply to the U.S. Olympic Training Centers and to the 1992 U.S. Olympic Team.

SPECIAL REPORT

Direct Marketing Program

As a non-profit organization, it is important that the USOC involves all Americans in support of the U.S. Olympic movement. This program consists of direct mail contribution solicitation; mail order purchases of U.S. Olympic Training Center fashions through distribution of catalogs, flyers and magazine advertising; U.S. Olympic Gift Shops nationwide; and public service announcements for use in television, radio and print media; all of which are supported by in-bound "1-800" service.

The growth of the program is exemplified by the fact that, in 1985, the revenue produced was barely $1 million, whereas the goal for 1989-92 reflects revenues in excess of $40 million. More than 10 million pieces of mail will be distributed and more than four million mail order catalogs will be sent out, which will generate close to two million responses by the end of 1992. More than 1,200,000 packages will be shipped during this quadrennium.

State Olympic Organizations

Olympic organizations in each state and the District of Columbia produce events and fund-raising programs in support of the U.S. Team. The goal for volunteer fundraising for the 1989-92 quadrennium is $22 million.

These efforts are coordinated through USOC regional offices located in New York, Atlanta, Washington, D.C., Chicago and Los Angeles. The USOC Finance Committee, chaired by John Steffens, President of Merrill Lynch Consumer Markets, oversees the volunteer organization. State chairs are selected from among business and civic leaders and are highly appreciated for their contacts and commitment to Olympic ideals.

The United States Olympic Team receives no government subsidy. The USA's Olympic team is truly representative of the free enterprise system and the USOC is proud to say, "America doesn't send its athletes to the Olympic Games, Americans do"

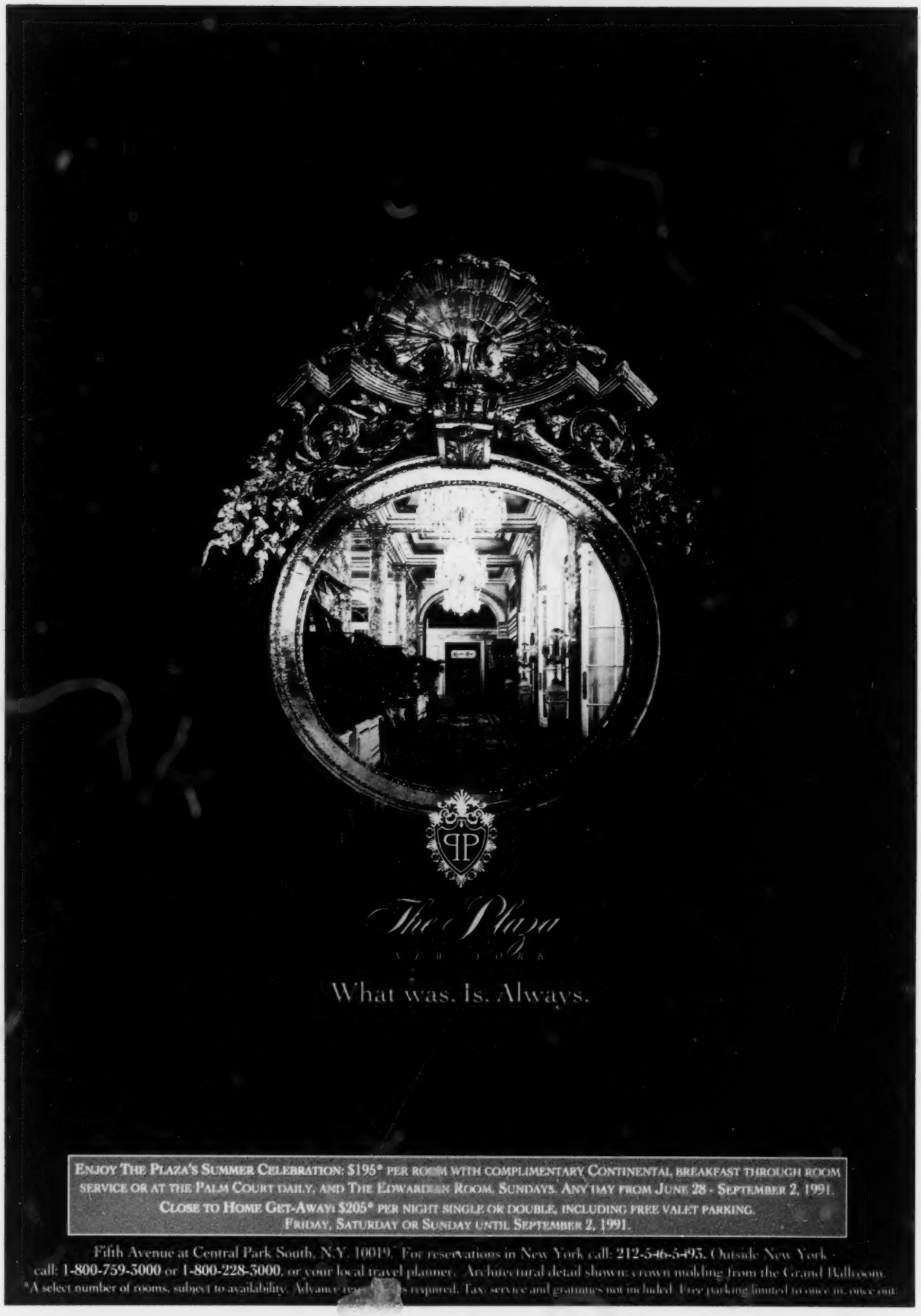
Another way in which many prominent corporations have been able to join the Olympic cause is through the Olympic Team-Up program. General Electric was the first to adopt the program and provide the opportunity for its 250,000 employees to make donations to the U.S. Olympic Team through payroll deductions. Each donation was matched by the corporate foundation. First Interstate Bank, The Boeing Company, Pacific Northwest Bell and New York Telephone are among other companies which have conducted Team-Up Programs and demonstrated their commitment to the success of the U.S. Olympic Team.

State Tax Check-Off and Federal Campaigns

Nine states currently provide the opportunity for their taxpayers to make donations to the USOC on their state income tax returns. These states are: California, Colorado, Delaware, Idaho, Iowa, Kentucky, Pennsylvania, Rhode Island and Virginia. The State Tax Check-Off Programs have generated $1.75 million in the last quadrennium.

The USOC also participates in 432 local federal campaigns which allow 4.5 million federal employees and military personnel to contribute directly to the USOC through payroll deductions. The USOC is selected as an eligible charity through an application process conducted each year with the Federal Office of Personnel Management. This Program yielded more than 10,000 individual donations which totaled $538,000 in 1989. Ω

JOHN KRIMSKY, JR. *is the Deputy Secretary General for the United States Olympic Committee, based in Colorado Springs, CO.*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Barcelona's 'Return to the Sea': A $7.5 Billion Urban Renewal

SPECIAL REPORT

In Barcelona, as it was in 1888 and 1929 with the two World's Fairs that the city hosted, the 1992 Olympic Games have been a catalyst for a major city renewal, to get projects underway that otherwise would have taken another ten years or more to be accomplished if at all. The Games present a real deadline; everything must be in place for the Games since the whole world will be watching. Therefore, because of this worldwide attention, the Games bring together whatever is required: public support, political unity and public financing, mainly federal and local. Without any of these three, it would be almost impossible to carry out such a city renovation.

Thus, the Games have been a unique opportunity, a unique reason for Barcelona to rejuvenate itself. The estimated cost of all the Olympic related investments amounts to $7.5 billion.

This renewal has taken place through several different projects. However, if it were necessary to choose the key urban project for which the 1992 Games will be remembered, the Barcelona's waterfront renewal project would probably be chosen.

Barcelona is a city whose growth and wealth, since the time of the Romans, developed around its harbor. However, the industrialization of the city in the nineteenth century caused it to grow away from the sea. The railroads and factories set up on the waterfront forced the city to turn its back on what had formerly been its heart. And it is now, interestingly enough, 500 years after Christopher Columbus landed in our port, returning from his first trip to the New World, that Barcelona looks once again to its harbor.

In addition to waterfront renewal, the renewal of Barcelona as a whole also includes several other projects, the most interesting being:

-The renewal of the "Ciutat Vella" or "Old City", the historic center of Barcelona, costing over $350 million, (to be completed in the year 2000). This includes Richard Meier's Museum of Contemporary Art at the old "Casa de la Caritat", or "Charity House";

-The renovation of the airport, which will cost over $250 million and be able to handle over 17 million passengers per year;

-The 780 foot-high telecommunications tower costing $45 million.

-The new Music Hall Auditorium, worth $30 million with a seating capacity for 2,600 people.

-The new National Theater, a 70,000 square foot development costing $25 million, with a one-thousand-seat and a five-hundred-seat auditorium;

-Twenty new first-class hotels, offering 3,200 more rooms, or 6,400 beds to travelers. The estimated cost of these hotels is expected to be $400 million.

Needless to say, the Olympic Stadium, the Sant Jordi Palace and their surrounding areas (the most important sports venues for the Games) are also among the projects that are shaping the new Barcelona. The Olympic Stadium, with a capacity for 55,000 people, was built in 1929 and has now been refurbished for the Games. The Sant Jordi arena, designed by the Japanese architect Arata Isozaki, holds 17,000 people.

Investments for Barcelona '92 "Return to the Sea"

	US$ Millions	*% of Total*
1. Ring Road Network	$2,008.8	26.68
2. Olympic Village	1,882.5	25.02
3. Olympic Venues	1,096.8	14.57
4. Airport/Renovation	271.0	3.60
5. Telecommunications	245.1	3.25
6. Port Renovation	468.0	6.22
7. New Central Business Districts' Infrastructure	582.0	7.73
8. Other Sports Facilities	195.9	2.60
9. Culture Facilities	161.7	2.14
10. Subway	117.0	1.55
11. Other Infrastructure Improvements (sewer, utilities, etc.)	100.7	1.33
12. New Hotels	395.5	5.25
Total	**$7,517.0**	**100.00**

Source: COOB '92

The Recovery of the Waterfront

Nevertheless, it is the renovation of the city's seafront that can be considered the focal point of the city's urban renaissance. This seafront recovery will take place via the following projects:

1) The Diagonal Mar project is the least developed of

the three; ground has not yet been broken. However, due to its size and scope, this project deserves to be considered among those that are reshaping Barcelona's waterfront.

One of the developers of this 90-acre project is a company called Kepro, a partnership of two American organizations and a Spanish one. The Americans involved in it are Kemper and the Chicago-based Prime Group that paid approximately $150 million for 55 of 90 acres.

Of these 90 acres, Kepro is developing 65 and considering plans to develop two million square feet of office space, another million of retail, 600,000 of residential and probably a 300,000 square foot hotel.

2) The renovation of the Port is also of paramount importance in Barcelona's "return to the sea." The overall cost of this project is estimated at $468 million and it includes two office buildings, a shopping mall, a leisure center and a new marina.

The whole renovation consists of four areas:

-The Barceloneta Quay

-The España Quay

-The Deposito Quay, and

-The Barcelona Quay.

In the Barceloneta Quay a new $25 million marina with a capacity for 500 large yachts is being built, together with some new facilities for yacht maintenance and repair (called the Technical Services Area).

Aerial view of Barcelona's new Olympic village.

In the Deposito Quay, the old General Warehouses building is being renovated into a 250,000 square foot office building at a cost of $30 million.

In the España Quay, there are two different projects:

-The leisure center, and

-The commercial mall.

The Leisure Center will cost $80 million and includes an IMAX Cinema movie theater, two aquariums and an Epcot Center-like sea world attraction.

The Commercial Mall is a 220,000 square foot development with an estimated cost of $60 million, similar to the South Street Seaport development in New York, or to Copley Square in Boston. It is important to point out that the Baltimore-based The Enterprise International Development Company, of the Rouse Group, is a major player in this development.

However, the flagship of the Port renovation is the Barcelona Quay, with its 900,000 square foot office building designed by Harry Cobb and I.M. Pei. The development cost of this project is estimated at $268 million, and it includes a maritime terminal for five ferry boats.

The Olympic Village: The Jewel of the City

In the same way that this business center is the focus of the Port renovation, the Olympic Village is the jewel of Barcelona's renaissance.

-The whole project is worth $1.8 billion; $1 billion in residential and commercial developments and $800 million in infrastructure.

-It covers 375 acres and includes 125 acres of parks, 100 acres of residential space — 2,000 new apartments costing $250 million; a 900,000 square foot commercial mall costing $120 million dollars; four five-story office buildings with a total of 200,000 square foot of office space, costing $35 million, and two forty-four-story towers, the tallest in Barcelona. One will have 400,000 square foot of office space and the other, developed by the Travelstead Group and designed by Bruce Graham of Skidmore, Owing & Merril (the same firm that designed the Sears Tower in Chicago) is going to be a first-class hotel with 395 rooms and 61 suites, costing $250 million.

The Olympic Village also includes:

-A new 250,000 square foot convention center costing $50 million, and

-A new marina with room for 700 boats, costing $70 million. It should be noted that, before development, this area had just 15 acres of beach, and now has 45, because 30 have been recovered from the sea.

The importance of the city's waterfront renewal is clear, since it accounts for a 30 per cent ($2.3 billion) of the total amount invested for "Olympic Games Reasons" ($7.5 billion). All this has put the city 10 years ahead of its time. Ω

SPECIAL REPORT

Exclusive and Unprecedented Coverage Planned by NBC

Three pay-per-view channels, appropriately labeled Red, White and Blue, will broadcast a total of 1,080 hours of continuous coverage for the duration of the Games

BY RANDEL A. FALCO

SPECIAL REPORT

As thousands of athletes and coaches converge on Barcelona to participate in the Games of the XXV Olympiad, hundreds of NBC staffers will be there as well — to broadcast the excitement and drama of the 1992 Olympics back to the United States.

Indeed, runners, gymnasts and swimmers aren't the only ones who have invested tremendous time and energy in preparing for the Barcelona Games. Since it bid a record $401 million for the exclusive U.S. broadcast rights to the Olympics in December of 1988, NBC has been gearing up for its role in the Games. In all, the network will televise 161 hours of regular programming from the preview show on July 24, 1992, to the Closing Ceremony on August 9. In addition, NBC will unveil an unprecedented pay-per-view telecast, accounting for an additional 1,080 hours of programming.

Heading up the NBC team in Barcelona will be NBC Sports President Dick Ebersol and NBC Sports Executive Producer Terry O'Neil. Ebersol and O'Neil each will take on the role of executive producer during the Olympics.

Three years ago, NBC broadcast the 1988 Olympics from Seoul, Korea with 179.5 hours of coverage. The network spent $300 million in order to acquire the rights to the Games, and 75 per cent, of the coverage was televised live to the United States.

Less than two months after the Closing Ceremony in Seoul, NBC learned that it had been awarded the rights to its second consecutive Games. Immediately, preparations began for the Barcelona Olympics, which will feature unprecedented television coverage. As a supplement to NBC's 17 days and 161 hours of coverage, a unique tri-channel pay-per-view package, called the Olympics TripleCast, will be available for the first time in the Games' history.

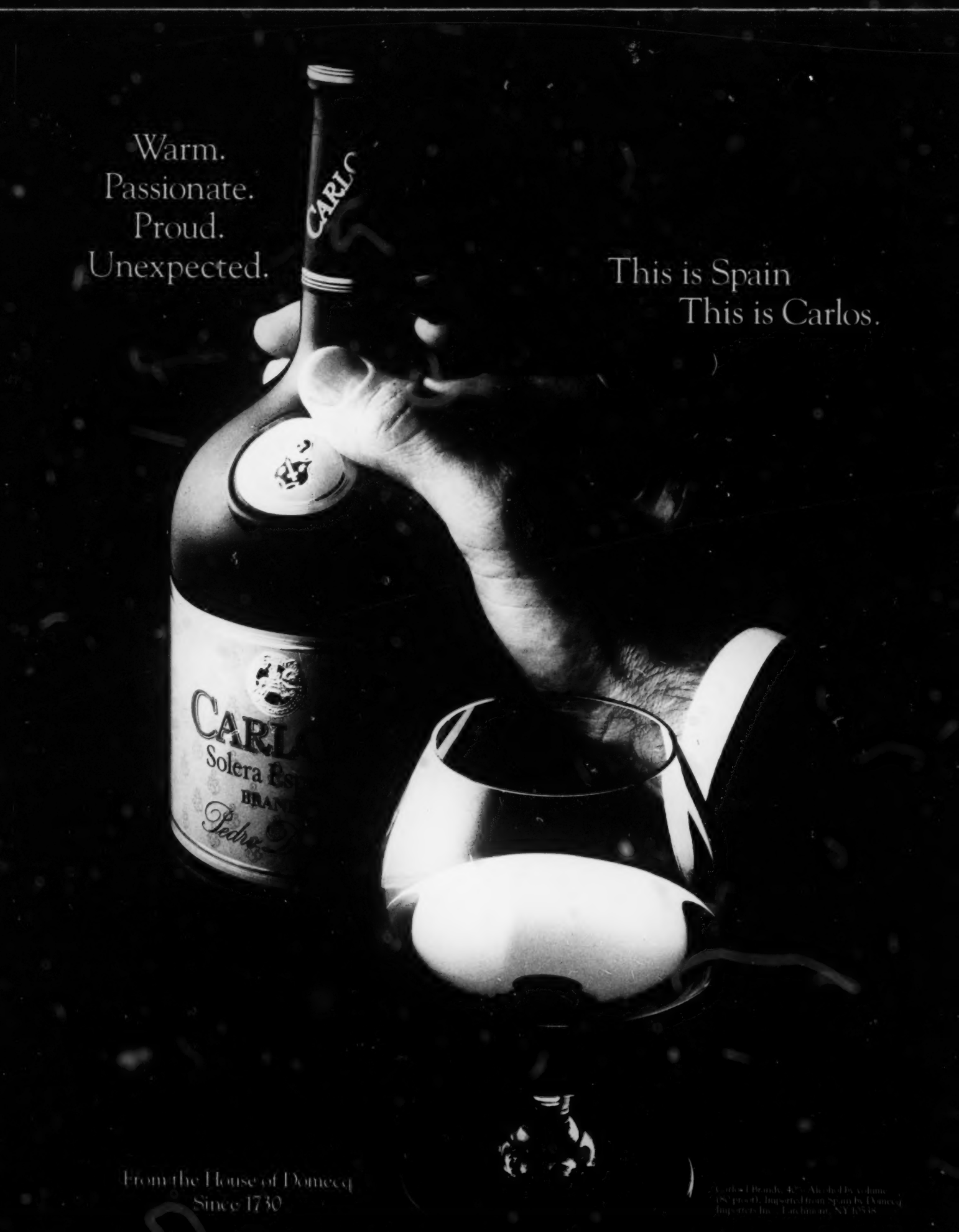
The TripleCast will be one of the best bargains in sports television. Three pay-per-view channels, appropriately labeled Red, White and Blue, will broadcast a total of 1,080 hours of continuous coverage for the

Income From Television Rights for the Games
(In US $millions)

Geog. Area	*Los Angeles '84'*	*Seoul'*	*Barcelona*	*Network*
USA	225.0	302.1	401.00 (+32,7%)	NBC
Australia	10.6	7.0	33.75 (+382%)	Channel 7
CAnada	3.0	3.6	16.50 (+358%)	CTV
Europe	19.8	28.0	90.00 (+221%)	UER
New Zealand	0.975*	1.5*	5.90 (+293%)	TVNZ
Japan	19.0	52.0	62.50 (+20.1%)	NHK
Eastern Europe	2.5	3.0	4.00 (+33%)	OIRT
South America	2.2	2.5	3.50 (+40%)	OTI
Puerto Rico	-	-	0.50	Telemundo

** These figures correspond to the amount paid by the Asian Broadcasting Union.*
' Source: *The Sport Intern*

Source: COOB '92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duration of the Games. Each channel will feature daily segments of twelve hours of live competition followed by twelve hours of replayed events. Viewers who elect to purchase NBC's largest package of 540 original hours of pay-per-view programming will pay only $125 or 23 cents per hour.

Tom Rogers, President of NBC Cable and Business Development, thinks the 1992 games will be the most successful television Olympics in history. "In our previous Olympic coverage, we've sought to meet the needs of two distinct audiences. Some people wanted complete coverage of their favorite sport, and other people wanted to see the memorable moments of all Olympic sports, said Rogers. "The coverage we'll provide in 1992 allows us to tap the market for expanded coverage without affecting traditional coverage — meaning we'll serve both audiences better than ever before."

NBC Sports host Bob Costas will bring the Games home.

NBC's Olympic sales department also has been preparing for the Barcelona Games. The department already has sold approximately 60 per cent of all available commercial time for the network's broadcast of the 1992 Games. As of mid-April, American Isuzu Motors, Bristol-Myers, Coca-Cola Company, Eastman-Kodak, Gatorade, General Electric, General Motors Corporation, J.C. Penney, Kellogg, The McDonald's Corporation, PPG, Reebok, Inc., Texaco, Inc., United Air Lines, VF Corporation and Mars, Inc. are some of the major sponsors who have signed with the network.

NBC officials are excited about what sponsorship of the 1992 Olympics offers their clients. For the duration of the Games, the network will host its sponsors on a cruise ship docked in Barcelona's beautiful harbor. The Royal Viking Sun, the flagship of the Royal Viking Cruise Line, will be docked in Barcelona for 18 days. The ship, located close to where most of the competition will take place, will house four groups of sponsors, a total of 2,600 people in all.

"Sponsors will have numerous sight-seeing and shopping opportunities, and we plan on organizing many other activities — both on and off the ship. And, of course, we will distribute to the sponsors more than 50,000 tickets to Olympic competition," said Zeldin. "Sponsorship of the Olympics means a complete Barcelona experience."

During the Games, NBC will bring that complete Barcelona experience into every American living room. Leading the network's expert team of broadcasters at the Olympics will be Bob Costas, who was recently named host of NBC's prime-time coverage. Costas, who hosted the late-night broadcasts from the Seoul Games three years ago, is a two-time Emmy Award winner, an Outstanding Sports Host and a three-time National Sportscaster of the Year.

Dick Ebersol is enthusiastic about what Costas will bring to the network's coverage of the Games.

"Bob Costas is the pre-eminent sports host of our generation," said Ebersol. "Everyone recognizes his immense skill at handling the scope of demands the Olympics will present, as well as his ability to add a special personal touch and humor to keep the human aspect in focus. We expect that the Barcelona Olympics will be about individual stories and personalities, and Bob is the perfect choice to be our Olympic storyteller."

NBC boasts of outstanding broadcasters on the pay-per-view side as well. The four co-anchors who have been named so far are familiar to Olympic observers. Don Criqui, Gayle Gardner, Ahmad Rashad and Kathleen Sullivan will host the Barcelona Games pay-per-view broadcast, and each has worked on previous Olympic broadcasts. Ω

RANDEL A. FALCO *is a Senior Vice President of the Olympics and Sports Operations at NBC in New York City. He is a member of the Board of Directors of the Spain-USA Chamber of Commerce.*

The XXV Olympiad and the Modernization of Barcelona

The Barcelona '92 Olympic Games will be organizing 25 competition and 3 demonstration sports events in four different areas within the nucleus of the city. A series of subsites outside Barcelona have been designated for certain events due to their tradition in a particular sport.

The four Olympic areas in Barcelona are interconnected by ring-roads around the city. This will produce a concentration of activities that will assure better services and the recovery of districts which up to now have been less well-endowed.

The Montjuich Area

The zone where most attention will be concentrated during the Games is the Montjuich Area. A total of eleven sports will be played in this area: six with a full range of competitions and the other five comprising just the finals and semifinals.

The Olympic Stadium was built in 1929 on the occasion of the International Exhibition in Barcelona. To prepare the arena for the 1992 Games, the interior was completely converted, while the old facade was conserved as a tribute to the sporting and Olympic spirit of the generations of the city's people.

Built in 1929, the Stadium at Montjuich was renovated for the Games.

The stadium will be the setting for the opening and closing ceremonies, as well as for the athletics competition and the finals of the equestrian individual jumping competition. Now that the conversion is complete, the stands will hold 60,000 spectators. The work was finished at the end of July 1989 and handed over to the International Athletics Federation for the Fifth World Athletics Cup.

The Palau Sant Jordi will also play an important part in the Barcelona '92 Games. This sports hall is now completed and is destined to be a revolutionary piece of architecture, thanks to the advanced techniques used to build it and the types of materials used. The Palau Sant Jordi will house the men's and women's artistic gymnastics competitions, the volleyball semifinals and the finals of handball and volleyball. Its outstanding features are its capacity (17,000 spectators), the spectacular roof (45 m. high), and the fact that after the Games it can be used for all types of indoor sporting competitions and any artistic or cultural event.

The Bernat Picornell swimming pools are also part of the Olympic Ring. The complex will be temporarily enlarged to provide 10,000 additional seats for the Games. Another facility that will form part of Montjuich Olympic site is the Catalan National Institute of Physical Education (INEFC). It will house the future Catalan Sports University. During the Games it will be the venue for the wrestling competitions.

All these venues will be linked by the broad Avinguda del Estadi, a large square, the Placa d'Europa, and the Parc del Migdia, a large wooded area which will be used for the cross country course in the modern pentathlon.

Diagonal Area

Famous for private sports facilities and the large university zone housing also a major sports infrastructure, the Diagonal area has an outstanding feature: The Barcelona F.C. Stadium, "Camp Nou," an impressive building which holds 114,000 spectators and was the setting for the opening ceremony and part of the 1982 World Cup soccer competition.

Camp Nou will be the scene for the soccer finals. The Sarria Stadium is another Diagonal Area venue, which can accommodate 42,000 spectators in comfort. Also within the Diagonal Area is the Palau Blaugrana

SPECIAL REPORT

and the Miniestadi, belonging to the Barcelona Football Club and the Royal Polo Club, where equestrian events will take place.

Vall D'Hebron Area

The sports that will take place in this area are the cycling competition, in the "Vall d'Hebron Municipal Velodrom," the Municipal tennis center, site of the tennis competition, has a court for 8,500 spectators, two for 3,500 and 1,500 and five which will hold around 200.

Parc Del Mar Area

This will be the site of the Olympic Village, the first buildings to be installed opposite the beach. The new construction in this zone reflects the recovery of a vital part of Barcelona, Poble Nou, the birthplace of the Catalan and Spanish industrial revolution in the late Nineteenth century. A large number of industrial workshops and factories were built in this zone, forcing the city for many years to turn its back on the sea. After the Games, the Olympic Village will be converted into a desirable residential area, equipped with a large number of sports facilities which will provide a valuable amenity for the district.

Opposite the Olympic Village the Olympic yacht harbor will be built. This will be the dock for the vessels taking part in the yachting competitions at the 1992 Games. The people taking part in the sailing events will be able to walk from the Olympic Village to the Olympic harbor for the first time ever.

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Communications Improvements

Telefónica's Montjuich Tower will enhance the Olympic telecommunications.

In order to reduce traffic problems and improve the fluidity of movement around the city, the Barcelona City Council, the Ministry of Public Works and Town Planning and the Autonomous Government of Catalonia (Generalitat of Catalonia) have reached agreements concerning the construction and completion of the coastal ring road, the Vallvidrera tunnel and other basic routes which make up the general system.

Barcelona International Airport is also being modernized ready in preparation for 1992. The work includes a new terminal for the exclusive use of the Olympic Family, so that it will be possible to deal with heavy passenger traffic during the Games. The modernization of the airport includes construction of new terminals and enlarging and refurbishing of the main passenger terminal, as well as landscaping and improving the access roads. This means that after 1992 the airport will be able to deal with 17 million passengers per year.

A new communications tower is being built in the Serra de Collcerola, and will reach a height of 268 meters. The structure will bring together all the communications systems at present scattered around the hills of the Serra de Meters, and will be a base for mobile services, while facilitating the management of the radio spectrum and serving as a nexus for television communications.

A second telecommunications tower, at a height of 120 meters, is being built in Montjuich. The tower will connect all installations belonging to Telefónica de España. As part of Telefónica's "Plan Barcelona '92," it will provide communication services during the Games. Ω

The Palau Sant Jordi will be the site of the men's and women's artistic gymnastics competitions, the volleyball semifinals and the handball and volleyball finals.

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Meeting the Organizational Challenge of the Olympic Games

A major priority for COOB '92 is to shift gears rapidly, aligning its internal structure and management systems to meet new challenges

BY GUY DUMAS

SPECIAL REPORT

Being awarded the responsibility for the conduct of the Olympic Games is both an honor and an extraordinary challenge. Olympic hosts are faced with the opportunity to demonstrate to the world their tremendous ability in human, social, artistic and economic "savoir faire." Olympic Games also afford unique management and organization challenges:

· A long planning period (3 to 4 years) often affected by uncertainty, financial and material concerns.

· The need to satisfy multiple, divergent and even incompatible requirements (i.e. cost controls vs. meeting the needs of the various Sports Federations).

· The radical transformation of operating modes from a particularly long planning period into intensive implementation over a two-week period with no margin for error.

· The winding down of a gigantic and complex organization and the downsizing of over 30,000 employees.

The euphoria of hosting the Olympic Games is quickly dispelled once the true challenges and practical implications are understood. The graph on the next page illustrates the major concerns as the concept of the Games project begins from close to nothing to a unique and very complex organization some four to five years later.

> "In spite of all the advance planning you never know whether you have succeeded until the Games are over"

Pre-Games Period

Although the new hosts benefit extensively from the experience of previous Olympic organization, they will face unique problems and challenges. Over four years, the current organizers in Barcelona have been:

· Anticipating the key events and activities leading up to the conduct of the games.

· Establishing the top and middle management infrastructure of COOB '92.

· Evaluating, designing and building the sports facilities.

· Putting in place the necessary communication, information and finance systems as well as gearing up to manage large-scale projects.

As the planning period progressed other priorities surfaced. Now, a year before the games, current COOB organizers are likely very concerned with the following:

· Final site preparations and financing.

· The lodging, transportation and safety of athletes as well as accommodation for millions of visitors.

· Advertising and marketing the Barcelona Games to the world.

· Organization of protocol activities for officials and V.I.P.s.

· Acquisition, selection, training and orientation of over 30,000 employees and volunteers

· Testing and fine tuning for the World Games to be held this summer.

The coming period for the Barcelona organizers is a crucial and very difficult one. As the Games approach, the organizational structure of COOB '92 will need to shift and evolve in order to accommodate new priorities and implementation considerations. This is also

when the detailed operational requirements and controls are developed to ensure flawless minute-by-minute monitoring of the games. At this point the COOB '92 organizations and employees will begin to feel the tremendous insecurity and stress associated with holding an event of this size while the world watches. We won't know if the Games will be successful until they are over.

During the Games

To use a well-worn cliché, "this is where the rubber meets the road" and when the extensive planning becomes operational. Over 30,000 employees will require training to enable them to perform specific tasks and to adhere to the strict discipline and procedures that will turn them into an effective Games organization. This will be particularly important in Barcelona because of the large number of volunteers who will be more than first-hand spectators. A control function will be in place, á la N.A.S.A., to ensure tight monitoring and coordination of the Games activities. Such a function should not only anticipate problems but also introduce timely corrective actions. Thousands of athletes and on-site spectators will enjoy the Games and their spirit under optimal conditions of health and security. The Barcelona Olympics organization, participants and spectators will have taken the spirit of the Games, their management and organization to new heights and standards.

In the Post Games period, the concerns will relate to the downsizing of personnel, documenting the Games' evolution and activities and resolving any remaining issues or conflicts. This period may extend from six months to a year after the Games.

The Challenge Now

One of the major priorities facing COOB '92's senior managers in Games planning is successful decentralization of the decision-making process, as site- or sport-specific leadership has now become imperative. Concurrently, human resources policies, programs and systems long in the planning must now be implemented so that as staffing is increased from current levels to acquired 30,000-plus personnel, effective and productive working teams are created in a short time. Ω

DR. GUY DUMAS *has consulted to Olympic Committees in Montreal and Los Angeles. He specializes in international management and in the planning and management of large scale projects.*

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ORGANIZATIONAL LESSONS LEARNED

Olympic Organizing Committees must:

*

Emphasize practical hands-on planning and avoid over-theorizing the event

*

Select and hire the right people

*

Integrate adaptability and responsibility at all levels of theCOOB organization

*

Maintain good employee morale and team spirit

1984 Tourist Office of Spain

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COOB's Financial Resources

Self-financing is the basis of the Barcelona '92 Olympic Organizing Committee (COOB) policy. The main source of income is the sale of the world television rights to broadcast the Games (33.6 per cent), issues of stamps, coins, commemorative medals and lotteries (20.32 per cent) and marketing the corporate symbols (20.22 per cent).

The COOB '92 budget, which was brought up to date at the end of 1990, accounts for 136,881 million pesetas of expenditure and 137,195 million pesetas of income. It was drawn up with reference to the planning strategy established in the COOB '92 Master Plan, which was based on the economic quantification of the projects, with the principle of a balance between income and expenditure as its target. The notable success of the negotiations for the television rights and the marketing plan have ensured that the Barcelona '92 Games will be Games without deficit. The COOB '92 global budget is revised annually, incorporating the information from the contracts signed during the previous financial year.

Another vital point is the design and performance of the Olympic torch route, which will begin in Olympia in Greece and enter Spain through Empúries on board the Spanish Naval training ship, Juan Sebastián Elcano. From there, with the participation of the Olympic volunteers, it will travel through the 17 autonomous communities in recognition of the tremendous help given by institutions, sporting bodies and the general public to the Barcelona '92 Olympic project, and will finally reach Barcelona for the opening of the Games of the XXV Oympiad. Ω

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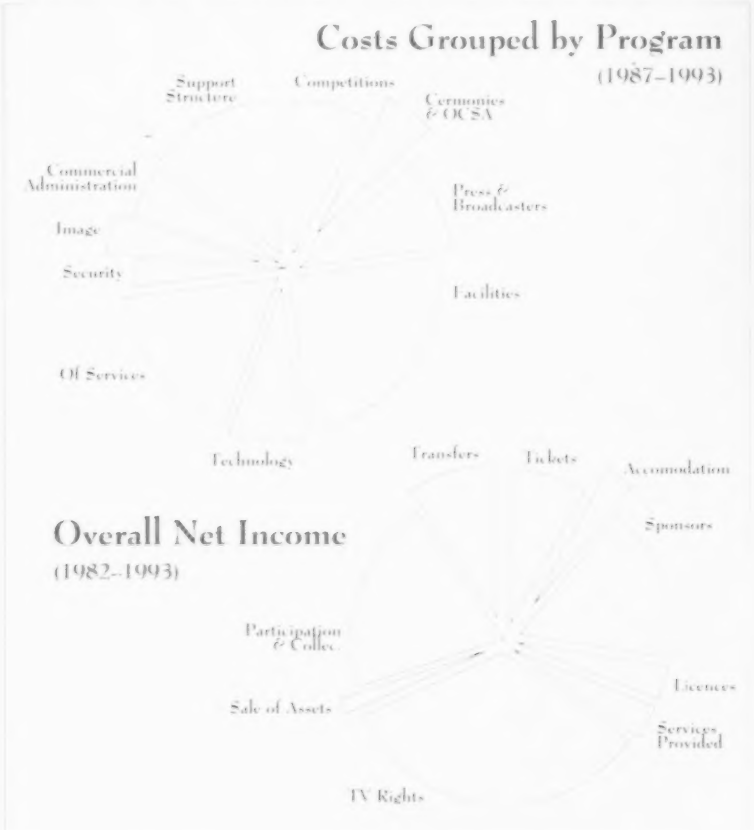


Developed at Xerox España S.A., this new video monitor will be introduced in Barcelona during the Olympic Games in 1992. Its touch-screen allows users to access all types of travel, event and price information about the Games. Each information request can be printed out.

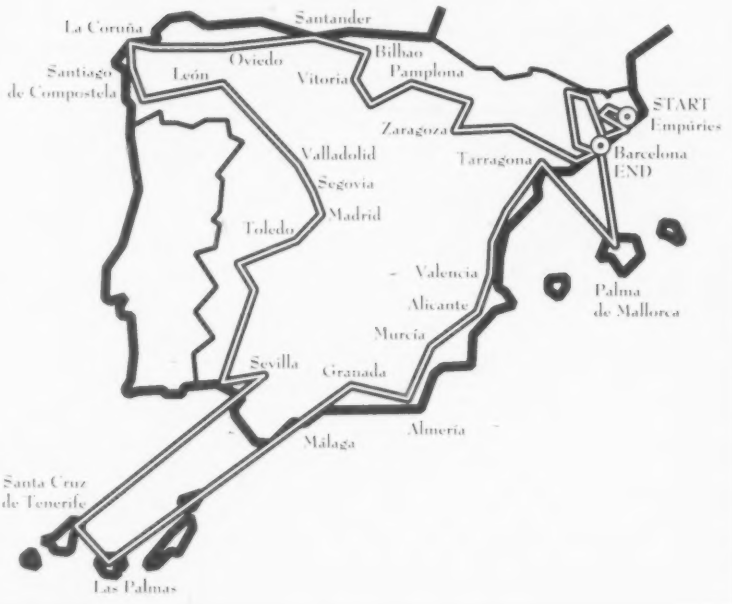
The Journey of the Torch

The Olympic torch will be carried throughout Spain on foot for 32 days from its arrival at Empúries, until it reaches Barcelona after a journey of 4,700 kilometres. The Olympic torch will pass through all the Olympic subsites and through the capitals of all the Spanish Autonomous communities.

The only parts of the journey during which the torch will not be carried on foot will be the journeys to and from the Canary Islands and the Balearic Islands, when it will travel by air and sea respectively. The flame will leave Seville for the Canary Islands where it will arrive at Las Palmas, and thence to Santa Cruz de Tenerife, before resuming its route around peninsular Spain at Málaga. In the Balearics, the flame will arrive at Palma de Mallorca after travelling from Tarragona. From Palma it will travel to Barcelona, where it will arrive on July 24th, 1992. The cost of the operation is now estimated at nearly 1,500 million pesetas, and COOB '92 is hard at work finding a sponsor.

The clear majority of the torchbearers will be Olympic volunteers from Andorra, Portugal, Perpignan, Ceuta, Melilla and each of Spain's autonomous communities, but this group will also include persons representing the disabled, the elderly, the international press and the world of sport. Ω

Route of the Torch Around Spain



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PHOTOGRAPHS

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Accomodations During the Games

	Olympic Village	*Hotel rooms*	*Rooms Villages*	*Own accomod.*	*Cabins on ships*	*Rooms in private houses*
Olympic Family	220	2300				
Athletes and Team Officials	15,006	276				
Judges and Referees		470	1,126	436		
Media		1,997	5,109	600		300
Guests		1,308		1,378	816	
Observers					370	
Sponsors		2,093			2,535	

Source: COOB '92

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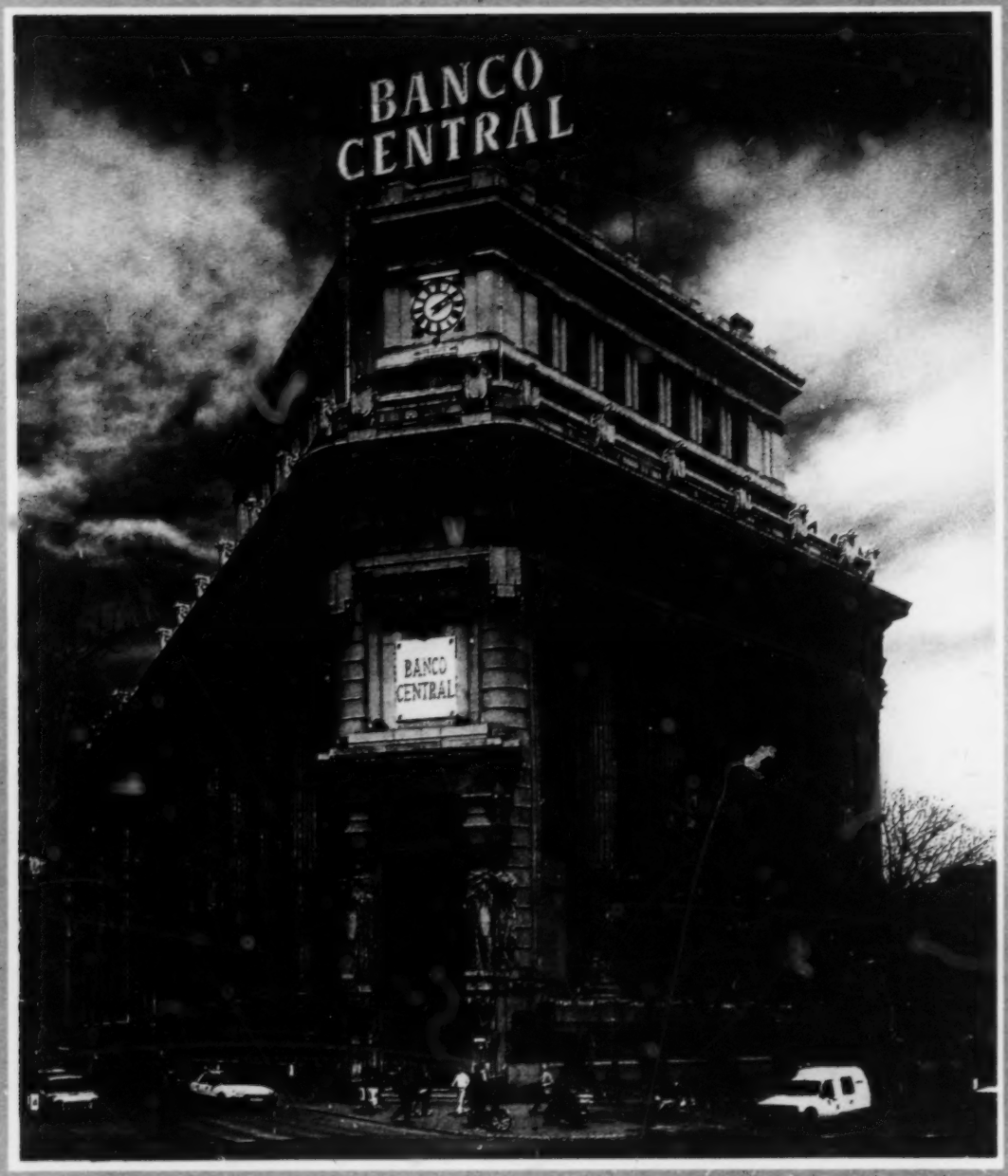

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Brand Equity: An Undermanaged Asset

Active management of a brand name entails quantifying, investing, and utilizing value to maximize the company's overall investment return

BY BLAKE DAVIES & MICHAEL VAN VLECK

Why did Guinness PLC pay $1 billion to purchase Cruz del Campo, Spain's leading brewery, when the recorded value of the purchased assets equalled $470 million? Why did Grand Metropolitan pay 4.8 times book value for Pillsbury Foods? Do the British know something about these companies that the former ownership failed to consider? Probably not. The market value of most companies with strong consumer branded products is typically well in excess of recorded asset values. This answer can largely be explained by each company's brand equity.

The term brand equity has been used by marketing and advertising executives for many years. Put simply, brand equity is the value a branded product receives from having a significant or dominant market share within a particular product category. However, measuring brand equity and knowing how to invest it is another matter.

Spain and Brand Equity

Analyzing and determining brand equity may be applicable to Spanish companies now more than ever. With the flurry of mergers and acquisitions in recent years, and the efforts by some of Spain's leading branded products companies to have their brands become more internationally recognized, understanding brand equity and becoming more sophisticated in managing brand assets is increasingly important for Spanish executives.

Brands are certainly not new to Spain. Tio Pepe, a famous brand of Spanish sherry recognized throughout the world, has a history dating back to 1835. However, placing a value on brands and utilizing brand equity to materially contribute to marketing, strategy, and financial decision-making is not as widely practiced in Spain as in many other countries.

Spanish consumer products executives must understand brand equity from more than a marketing perspective

Today, Spanish companies are at a critical juncture in the face of increased competition. Many must decide among these options: 1) to expand internationally; 2) to sell out to a major international company or a larger competitor in their industry; or 3) to try to survive on a local basis and compete against multinational competitors entering the Spanish market. Of the three options, the latter may be the least viable unless a niche strategy is successfully implemented. But whichever strategy is chosen, Spanish consumer products executives must understand brand equity from more than a marketing perspective. This is because the value of their companies, and their ability to expand their products into new markets, will greatly depend on how successfully they can build and manage their products' brand equity.

The Guinness acquisition of Cruz del Campo in February 1991 demonstrates that shareholders of companies with strong brand names can be well rewarded for developing such assets. Guinness paid more than twice Cruz del Campo's annual sales and a substantial premium over the company's recorded shareholders' equity. While certain of Cruz del Campo's real assets were undervalued, what Guinness was paying for — and what most of the premium can be attributed to — was Cruz del Campo's significant brand equity.

Aside from acquisitions, Spanish companies are also employing their branded assets to help determine marketing and corporate planning strategy. As an example, Tabacalera recently decided to change the name of its Nabisco Brands subsidiary in Spain and Portugal, which it acquired from Nabisco, Inc. in 1989, to Royal Brands. Under the terms of the purchase agreement, Tabacalera had until November of this year to decide whether or not to change the name. Tabacalera chose "Royal" because it is a widely recognized name within Spain, and because it will continue to be supported in other European countries under Nabisco's ownership.

On an international level, Spanish companies such as Freixenet, Codorniu and Chupa Chups have successfully improved the value of their brands by making them more internationally recognized. Freixenet and Codorniu, two of Spain's leading producers of *cava* (Spanish champagne), have undertaken aggressive marketing and advertising campaigns. Today, in the United States and several other countries, Freixenet and Codorniu have become well recognized among their target audience. Chupa Chups, the maker of lollipops,

now sells its products in over 90 countries and considers its brand to have reached global stature. More importantly, the company has invested heavily in order to maintain the Chupa Chups brand image as one with a high degree of perceived quality. Furthermore, in order to reinforce the Chupa Chups name as a "parent brand" the company now markets all of its product offerings using the same Chupa Chups logo. Kas, S.A. and Campofrio see international expansion of their products as a solution to growth. Campofrio recently entered into a joint venture in the Dominican Republic and the Phillipines and is also starting an operation in the Soviet Union. Kas sees opportunities to build its brands in France, Mexico and Puerto Rico, and has entered into a joint venture with Pepsico in Spain.

What Is Brand Equity?

Generally, one associates brand equity with a brand name widely recognized and accepted by consumers such as Coca Cola, Mars or Marlboro. The more recognizable the name, the stronger the brand equity. However, behind such a simple explanation lies a more sophisticated definitional framework involving "feelings" and "beliefs" which a brand name evokes in the consumer. These perceptions can strengthen the repetitive purchasing habits of the consumer and enhance the competitive positioning of the product. To more adequately define brand equity, however, it helps to consider it not only from the common viewpoint of consumer presentation (i.e. marketing), but also from the perspective of asset management.

Brand Equity: Asset Management

While the marketing experts may successfully grapple with brand equity and find it to be a useful and applicable tool, those responsible for managing a company's assets, including brand name assets, are in a less fortunate position. In general, management has recognized that to properly control brand names, one must first own an exclusive legal right to them. But this is only part of the management process. Like the management of real and tangible assets, management must not only control the brand name legally, but to achieve the best results, it must actively manage the asset. Active management of a brand name, like that of real estate, entails quantifying its value, investing capital to maintain or enhance its value, utilizing it as collateral to finance other projects, and generally coordinating its use to maximize the company's overall return on investment.

Serious attempts at valuing brand names have only recently been undertaken. This developing interest to quantify brand value as part of the overall management process relates to the escalating costs of developing new brand names, the international expansion of brand names, and the increased pace of international acquisitions with large premiums over book value relating to an acquired company's brand name portfolio. Given the choice of building positions in new markets or acquiring existing brand names with established customer bases, experience shows companies associate less risk with acquiring, even at the expense of high purchase premiums.

Brands with high market share relative to competitors tend to have larger margins, more stable cash flows, and greater resilience during economic downturns

It is interesting to note the current practice of the companies in the United Kingdom which have been most progressive in valuing and capitalizing on their brand names. Interesting because the process seems to be rather inconsistently applied, since only acquired, and not internally-developed, brand names are valued and recorded on the balance sheet. It is common for goodwill to be written off against capital in its entirety in the year of acquisition — thus there exists great motivation to preserve (and record on the balance sheet) the brand value portion of goodwill when a significant premium is paid for another company.

With the exception of a few U.K. companies, there has been a reluctance on the part of companies in most countries to ascribe a value to their brands and record them on the balance sheet. A major obstacle has been the accounting regulatory bodies. In essence, the accounting regulatory bodies have failed to establish appropriate and consistent guidelines for brand valuations and they have failed to recognize that the marketplace clearly appreciates that brand names are identifiable, separable assets that can be measured and whose values can be fairly reported in a company's accounts — leading to a more active management of such assets. Also, while marketing executives are very comfortable with brand equity as an asset, a certain reluctance to place these assets on the balance sheet occurs when these executives realize such an action may adversely impact their return on investment. Given the events occurring in Spain, such as the increased pace of foreign direct investment and the fervent interest of many Spanish companies in expanding internationally, a thorough understanding of brand equity is paramount. Managements of Spanish companies can add value by utilizing more actively their brand equity. Brand names are valuable corporate assets that can be accurately valued, and in many cases used as financing vehicles, and brand equity analysis can materially assist in more effective long-term decision making, in capital allocation decisions and in facilitating a brand focus for management purposes. In a battle of the brands both within and across borders, developing a more sophisticated understanding of brand assets is a requisite for Spanish management into the 1990's and beyond. Ω

BLAKE DAVIES & MICHAEL VAN VLECK *are principals of Fredericks Michael & Co., a New York City merchant banking firm which advises corporations and private family groups who manage or control branded product portfolios, on mergers, acquisitions, divestitures and other corporate finance matters.*

Spanish Investment Climate Bodes Well for Robust Recovery

Spain's strength in currency appreciation, anti-inflation policy and stock market performance combine to make it one of the most attractive arenas for business in Europe

BY ELENA FERNANDEZ-TRAPIELLA

After being hard hit in 1990, the Spanish stock market has been one of the best performers in 1991. Only Sweden has outpaced the revaluation that has pushed Madrid up 24 per cent since the beginning of the year. Yet the market has not recovered its 291.97 pre-war level of August 1990.

Being undervalued compared to other equity markets and having the greatest potential for lower interest rates, Spain looked very appealing. More recently, however, it is losing momentum and drifting back after reaching a high for the year on March 18 (index level of 289.22 up 29.8 per cent since January 1). If the market seems to have seen its big run, what is next?

The important ingredient behind the rally has been that the decline in interest rates may be coming to an end, as they have stabilized in the short term. It is time to take a hard look at the market and be prudent.

Indeed, there are some interesting stocks available at reasonable prices. With the risk of slightly higher inflation as monetary policy is eased, net asset value-based stocks that remain below historical levels and are virtually inflation-proof are particularly attractive. Representative stocks are Vidrofan, Hidrocantabrico, Unipapel and Zardoya-Otis.

Over the long term, one should be more optimistic on market potential and economic performance. Further interest rate cuts during the summer and clearer signs of an economic pickup should bring momentum back. After a period of consolidation, the target for the Madrid Stock Exchange Index by year-end is 315 (a 15 per cent revaluation over current levels).

A key factor for U.S. investors will be the peseta/dollar exchange rate evolution. The dollar has been very strong since the beginning of the year, with a 14.7 per cent appreciation against the peseta. The strength of the dollar is a response to the belief that the U.S. economy has bottomed out while other strong currency economies, namely Germany and Japan, could see an extended period of sluggish growth. Analysts believe the U.S. dollar may appreciate somewhat further, especially vs. the European Monetary System (EMS) bloc. If Spain succeeds in reducing real interest rates in the intermediate term, the peseta could lose some of its appeal for foreign capital inflows which are already seeing a slight decrease.

While many economists predict that recession in the U.S. may have reached its trough and that the economy will soon pick up, Europe appears to be in a much earlier stage of economic slowdown. Such slowdowns can be positive for share prices, however, if they reduce inflation and therefore interest rates. In this sense, inflation is likely to fall more in Europe than in the U.S. over the coming year. And although Europe is slowing down, several continental European countries may still post less slower growth than the U.S. on the brink of a recovery.

The U.K. and Sweden

Spain's Macroeconomic Forecasts
(Growth Rates)

	1989	*1990*	*1991E*
Private Consumption	5.5	3.7	2.7
Government Consumption	7.6	4.4	3.0
Fixed Capital Formation	13.7	6.7	5.8
Construction	14.9	10.7	7.0
Capital Goods	12.1	1.2	4.0
Domestic Demand	7.8	4.6	3.5
Exports	2.9	4.2	5.6
Imports	17.0	8.1	7.1
Gross Domestic Product (GDP)	4.8	3.7	3.0
Unit Labor Costs	5.3	6.7	5.2
Unemployment	4.1	2.6	1.6
Government Deficit (% of GDP)	-1.7	-2.3	-0.9
Current Account Deficit (% of GDP)	-2.8	-3.7	-2.8
Inflation (CPI)	6.9	6.5	5.8

Source: KEMPER SECURITIES GROUP

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entered recession ahead of America, but their recovery is expected to take longer. The weak economic performance expected during 1991 and the political pressure on the Conservative government after its poor results in the recent local elections are anticipated to lead to lower interest rates in the U.K. The stubbornness of cost inflation warns against excessive optimism.

World Stock Market Indexes

Exchange	Index	3/22/91 Close	1/1/91 Close	% Change
Frankfurt	DAX	1,520.29	1,398.23	+8.73
Hong Kong	HangSeng	3,716.15	3,053.73	+21.70
London	FT-SE 100	2,440.50	2,143.50	+13.90
Madrid	**General Index**	**278.28**	**223.25**	**+24.60**
Milan	Stock Index	1,142.00	100.00	+14.20
New York	Dow Jones Indust.	2,858.91	2,633.66	+8.55
Paris	CAC 40 Index	1,772.14	1,517.93	+16.70
Tokyo	Nikkei Average	26,613.19	23,848.70	+11.60
Zurich	Credit Suisse	542.00	464.10	+16.80

Source: KEMPER SECURITIES GROUP

Spain has probably seen the bulk of its economic slowdown. Indicators point to a strong pickup by June. After a gradual economic slowdown — prompted by extreme monetary tightness and accentuated by the Gulf conflict — business conditions in Spain recovered in November and December 1990 from the depressed situation of August-October.

A Tighter Fiscal Policy

In 1990, the reduction in the gap between domestic production and demand to just one point (compared to 2.5 in 1989) allowed for better performance in Spain's main areas of economic disequilibrium. Signs of early recovery aroused concerns about inflation and current account deterioration.

In 1991 the control of inflation remained the main goal of economic policy. The objective is to reduce the inflation differential (and ultimately real interest rates) between Spain and the central countries of the EMS (Germany, France and Benelux). Spain's inflation differential from the EC average went down to 0.7 in March (vs. 1.6 in 1990), but still remains quite distant from the EMS bloc (1.5) and especially from Holland (3.2), Germany (3.4) or France (2.7). Thus, the monetary policy was reported to continue restrictively. The most important developments in economic policy in 1991 will be a stronger commitment to controlling wage increases and a tighter fiscal policy.

In February, the relative improvement in inflation and, more importantly, the strong appreciation of the peseta, led the Bank of Spain to cut the intervention rate by 100 basic points to 13.5 per cent, and to lift the compulsory 30 per cent deposit on foreign currency loans. The intervention rate had been already slightly reduced from 14.7 per cent to 14.5 per cent in December.

The Bank of Spain has adamantly declared its intention to maintain current interest rates until further improvement in the CPI figure is evident. However, only extreme pressure on the peseta (already having problems honoring the 6 per cent fluctuation band against the French franc) could force the Bank of Spain to reduce interest rates sooner than expected. Economic activity does not make it advisable. Actually, official economic growth forecasts have been upgraded in the wake of the latest indicators. GDP is expected to grow by 3.0 per cent (vs. 2.8 per cent initially estimated) and fixed capital formation by 5.8 per cent (vs. 5.2 per cent), while the current account deficit should significantly improve, accounting for 2.8 per cent of GDP (vs. 3.5 per cent).

The apparent improvement of the CPI figure can be somewhat deceptive. After 6.5 per cent annual inflation in 1990, prices have been more favorable over the last months. Good CPI in February and March have led the year-to-year to 5.9 per cent, compared to 7 per cent in 1990's same period.

However, underlying inflation (overall inflation minus fresh foods and crude oil) has not followed the favorable path of the General Index (CPI). It remains resilient at an annual rate of 6.5 per cent (6.6 per cent in 1990). A large part of the CPI's improvement over the last months can be attributed to the good behavior of food items and the decline in oil prices as the Gulf war ended. Inflationary pressures continue to be focused on the housing, transport and service sectors. After continued extreme monetary tightness, those sectors remain quite stiff. Perhaps the reasons lie in the lack of competition in the service industry, the need for improved infrastructures for transportation and the scarcity of land for housing.

> **Madrid's objective is to reduce the inflation differential (and real interest rates) between Spain and the central countries of the EMS**

Another key factor is to abate unit labor cost rises in those industries, breaking the inflationary price-wages spiral. The 5.9 per cent annualized inflation rate achieved in March should prove very beneficial to wage bargaining in the coming months. It gives more credibility to the government's 5 per cent inflation target for 1991, which might be very helpful in achieving a desired average wage increase not above 7 per cent. However, one can expect average wage increases of 7.2 per cent compared to 8.14 per cent in 1990. So far our estimates seem correct, since the average for agreements already signed stands at 7.3 per cent. Ω

ELENA FERNANDEZ-TRAPIELLA *is a senior analyst with Banco Santander de Negocios in Madrid and currently works as an institutional salesperson with Kemper Securities Group in New York City.*

Marketing to Hispanics: The Right Stuff

Predicted to be the fastest growing population segment in the U.S., this group is far from an homogenous audience

BY BIBIANA GRAU & FERNANDO GARCIA

When it comes to advertising, the decision to address the Hispanic market in the United States continues to be a hot topic of discussion and of confusion among marketers.

During the next ten years, the U.S. population will increase by about 22 million. Most of this growth will come from the minority segments of the population. Hispanics will grow by 38.6 per cent, or by 8.5 million people. Whites of European descent will grow by only 3.2 per cent (5.8 million), the black population will increase 14.6 per cent (4.5 million). Asian and other races will grow 40.1 per cent (3.2 million).

Marketers already witnessing the mass market evolve into many demographic segments know that their survival could depend on how well they can adapt to this new America. The most noticeable change is the presence of the growing Hispanic market, but how to approach it from an advertising point of view? The answer varies according to the source. Spanish radio stations say that Spanish radio is the most efficient medium. Spanish television stations claim they are the most effective vehicle to reach the market. English language print media to Hispanics aim at the upscale segment of the market. Spanish language print media contends that the Hispanic who likes to read prefers to do so in Spanish. Some Hispanic advertising agencies recommend regionalizing a campaign to reach different Hispanic sub-groups based on origin; some recommend doing so based on their degree of assimilation; others argue for a national campaign.

Although there is an upscale Hispanic market that prefers to read in English, there are upscale Hispanics who prefer to be addressed in Spanish. Several large circulation Spanish language newspapers and magazines, as well as "Circulo de Lectores," a successful Spanish book club, prove the point.

Some marketers regionalize their Spanish advertising campaign to increase recognition among Hispanic sub-segments. Others prefer to segment according to the market's degree of assimilation. More assimilated and U.S. born Hispanics will react better to an English approach geared to them, but recent arrivals and foreign-born Hispanics like to be approached in Spanish.

> **More assimilated and U.S. born Hispanics will react better to an English approach geared to them, but recent arrivals and foreign born Hispanics like to be approached in Spanish**

What happens is that much of the discussion overlooks one important point. The estimated 24 million Hispanic people who reside in the United States differ significantly in their reasons for being here, and in their aspirations.

Unlike past immigrant groups, Hispanics have not all arrived from one place nor landed on these shores in a relatively short period of time.

Many recent immigrants are political refugees, who see their residence in the United States as a temporary condition. Many others desire to assimilate into the American mainstream because they want to make this country their permanent place of residence. Still others have been citizens for generations. As such they have different expectations.

As Hispanics, however, they also share many commonalties, the most relevant ones include the Spanish language, family orientation, and religion — about 90 per cent are Catholic.

One marketer can be successful addressing these commonalties while another can do so by addressing differences. Their degree of success will be dictated by the nature of their commitment to the market, because speaking to a person in his or her native language is only the beginning of the process of understanding and fulfilling that person's needs.

Community involvement as proof of cultural acceptance will help a marketer round up marketing approaches towards Hispanics. After all, most of the contributions of the many ethnic groups that have shaped the U.S. society come from their inherited culture. In that sense, Hispanics are no different from any other group that preceded them. Hispanics are here to stay. Accepting them as a distinctive cultural group will allow our society to become enriched with newcomers sharing the same desire as previous immigrants: opportunity. Ω

BIBIANA GRAU & FERNANDO GARCIA *are principals of the New York City advertising firm Grau & Garcia, specializing in the U.S. Hispanic Market.*

Alfonso Escámez López

A native of Murcia, Mr. Escámez has been Chairman and CEO of Banco Central since 1973. He is Chairman of CEPSA and Banco Vitalicio as well. Mr. Escámez was appointed Chairman of Banco Central Hispanoamericano, in May, which will become the largest commercial bank in Spain after the merger of Banco Central and Banco Hispano Americano.

José María Amusátegui

A native of Cádiz, Mr. Amusátegui is Chairman and CEO of Banco Hispano Americano. He became Vice Chairman of Telefónica de España in 1985, representing Banco Hispano Americano on the board until 1991 when he was appointed Chairman and CEO. In May, Hispano Americano merged with Banco Central, creating the largest commercial bank in Spain.

Robert H. Helmick

Mr. Helmick is a Des Moines, Iowa, attorney and currently president of the United States Olympic Committee (USOC). Since 1985 he has served as one of the two U.S. members of the International Olympic Committee. Under Mr. Helmick's leadership, the USOC's revenues have tripled, and the USOC has been restructured into a streamlined organization.

Christopher Forbes

Mr. Forbes is Vice Chairman and Corporate Secretary of Forbes Inc. He is responsible for the advertising and promotion departments of *Forbes*, the oldest of America's leading business magazines. Mr. Forbes has greatly enhanced Spain-USA business relations through Forbes Inc.'s involvement with the Quincentennial celebrations of Spanish heritage in the United States.

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EC Directive Reduces Tax Costs of Repatriating Funds From Spanish Subsidiaries

The European Community Directive on parent-subsidiary taxation strives to eliminate double taxation on dividends between companies in different EC countries

BY LYNN C. AMARI

As of January 1, 1992, the tax costs of doing business in the European Community (EC) will drop significantly for many investors. This is the result of several directives which were approved by the Council of Ministers in a move toward tax harmonization in the EC. Particularly helpful to U.S. investors is the directive regarding the common system of taxation of parent companies and subsidiaries located in different Member States (the Directive). This article discusses the provisions of the Directive and summarizes its effect on U.S. investors in Spain and the other Member States of the EC.

The Directive has two principal purposes (1) elimination of double taxation, and (2) elimination of withholding taxes on qualified dividend distributions.

The Directive does not grant relief to all companies doing business in the EC. Rather, it attempts to alleviate the tax burden suffered by corporations qualifying for "parent-subsidiary" status, as defined in the Directive.

It should be noted that the Directive is applicable to dividends paid by a subsidiary in one Member State to a parent company located in another Member State. The Directive will not apply unless both companies are qualified companies located in Member States. Furthermore, the Directive will not affect the taxation of dividends paid to another company within the same Member State.

The Parent-Subsidiary Relationship

The Directive applies only to companies which qualify as a parent company or subsidiary, as those terms are defined in the Directive. The Directive sets forth specific legal, tax and residency criteria which must be satisfied in order for a company to obtain tax relief under the Directive. With regard to Spain, the Directive will apply to a company which operates as a "sociedad anonima," "sociedad comanditaria por acciones," "sociedad de responsibilidad limitada" or any other public law body which operates under private law. The company, however, must also be resident in Spain for Spanish tax purposes, and must be subject to the "impuesro sobres sociedades" (i.e. corporate income tax) without possibility of exemption from that tax. Similar criteria exist for companies resident in other member states.

A Spanish company which satisfies these criteria will be considered a parent company for purposes of the Directive if it owns at least 25 per cent of the capital of a qualifying company in another member state. Conversely, a Spanish company will be considered a subsidiary if it satisfies the above criteria and at least 25 per cent of its capital is owned by a qualifying company in another member state. The Directive provides, however, that member states can bilaterally agree to substitute a "voting rights" test for the minimal capital

By eliminating double taxation, the Directive permits a U.S. investor to repatriate a greater amount of profits generated by its Spanish - and other EC subsidiaries

requirement. In addition, a member state can refuse to grant relief under the Directive when the required shareholding has not been maintained for two years.

It appears, at this time, that the stock of the subsidiary must be held directly, not indirectly. For example, a Spanish company will not be considered a parent company if it owns only 20 per cent of the capital of a company directly and the remaining 80 per cent indirectly through another wholly-owned subsidiary. However, this could be modified when the individual Member States implement the domestic laws necessary to carry out the Directive.

Illustration of the Withholding Tax Provisions of the EC Tax Directive

A U.S. Company owns the shares in its 100 per cent Spanish Subsidiary through a French Holding Company. The U.S. Company wants to repatriate $100 of profit from the Spanish Subsidiary

	Before 1992	*After 1992*
Profit available for distribution by Spanish subsidiary	$100	$100
Less: Spanish withholding tax on dividend to French Holding Company	(10)	0
Dividend received by French Holding Company	0	$100
Less: French withholding tax on dividend to the U.S. Company	0	(5)
Spanish profits received by the U.S. Company	$ 90	$ 95

After the Directive is in effect, the U.S. Company would receive, in the example, an additional $5 ($95-$90) of the profit generated by the Spanish Subsidiary.

Elimination of Double Taxation

Double taxation occurs when a company whose profits have been subject to tax in its own country subsequently distributes those profits to its parent company—only to have the distribution again be subject to tax in the parent company's country of residence. The Directive offers member states one of two alternatives for eliminating potential double taxation in a situation where a qualifying parent-subsidiary relationship exists. The Directive requires the country where the parent company is resident to either: (1) refrain from taxing the distribution received, or; (2) tax the distribution, but permit a tax credit for the "underlying" taxes, i.e. income taxes paid by the subsidiary on the profits distributed.

The Directive contemplates that the rules will be effective until such time as there is a common system of taxation in the EC. Since complete tax harmonization may take years to achieve, the Directive offers much needed relief.

By eliminating double taxation, the Directive permits a U.S. investor to repatriate a greater amount of profits generated by its Spanish and other EC subsidiaries. Since less of these profits will be used to satisfy foreign tax liabilities, more funds will be available to be brought back to the U.S., or invested elsewhere. The Directive also opens up new routes for repatriating income and shifting funds throughout the EC, and provides U.S. investors with alternatives to traditional European holding company structures.

The Directive also opens up new routes for repatriating income and shifting funds throughout the EC, and provides U.S. investors with alternatives to traditional European holding company structures

Elimination of Withholding Taxes

The Directive further provides that dividends paid by a subsidiary to its parent company will be exempt from withholding tax. While the zero rate of withholding will be phased in over time in some member states (i.e. Germany, Portugal and Greece), the zero rate will be effective immediately in Spain in 1992.

The elimination of dividend withholding taxes can result in major tax savings to U.S. investors, who often incur significant withholding tax costs when repatriating funds through a European holding company. These costs essentially disappear under the Directive.

In summary, the Directive can have a significant impact on U.S. taxpayers investing in Spain and other Member States. The Directive will permit U.S. investors to structure their EC business holdings without having to rely on tax treaty networks to reduce withholding taxes. The Directive offers U.S. investors a degree of certainty in their tax planning which cannot be obtained by reliance on tax treaty networks since these networks are always subject to change. The Directive allows greater flexibility in structuring EC holding companies to achieve a structure which is compatible for management and tax purposes. As a result, U.S. investors have more options for transferring profits to and from their Spanish subsidiaries.

The Directive, when coupled with the recently implemented U.S.-Spain tax treaty, makes Spain an attractive business partner. Ω

LYNN AMARI *is a manager in the International Tax Services group of Price Waterhouse in New York.*

Madrid-New York Sister City Meeting Held at the UN

The first meeting of the Madrid Advisory Committee of the Sister City Program of the City of New York took place on April 11 at the United Nations, marking the beginning of exchange activities for the year 91/92. The Madrid Committee was honored to have H.E. Miguel de Aldasoro, Consul General of Spain, as one of the guest speakers. Other speakers were Thomas O. Enders, former U.N. Ambassador to Spain and currently the Managing Director for Solomon Brothers, and Nadine B. Hack, President of the Sister City Program of New York. Yamila C. Mendez, Madrid Program Director, presided.

The Advisory Committee is composed of an enthusiastic group of prominent business people, scholars, city officials and others involved in the dissemination of Spanish culture in New York.

Ms. Virginia Flores Godoy has been named the new Chairperson of the Advisory Committee. Among her many accomplishments, Ms. Godoy has over a decade of experience in the fields of International Public Relations and Governmental Communications promoting greater Miami, where she served as the Chief of Protocol overlooking the Sister City Program. She lived in Madrid for 20 years.

During this first meeting, Ms. Mendez described the proposed programs. These include a student exchange which on an annual alternating basis allows a group of high school students to live with their Madrid/New York counterparts and share family and school life with each student and his/her family; a cultural week of Madrid in New York which started back in 1979; participating in the 1992 Quincentennial celebration; a girl's basketball tournament which will also operate on an alternating basis, one year in New York and one year in Madrid; technical exchanges between public administrators of both cities in such areas as traffic control, environmental protection, transportation, social services, civil protection, fire control and consumer affairs; as well as various business missions.

The Sister City Program creates mutually beneficial exchanges of cultural, economic, educational, technical, and sports information and practices, between New York and its five "sister cities" (other cities are Tokyo, Cairo, Santo Domingo and Beijing.) It is an integral part of New York City's foreign relations and has the active and enthusiastic support of Mayor David Dinkins. New sister cities are being developed in Eastern Europe, Africa and the Caribbean.

The program is incorporated as a not-for-profit organization and all program activities are funded privately. There are three Program Directors who overlook the different exchanges: Ms. Mendez is responsible for Latin America, the Caribbean, Canada and Western Europe; Peter M. Sherman oversees all of Asia, the Soviet Union and Eastern Europe, and Wyounda V. Haynes directs the programs in Africa, the Mediterranean, the Middle East and the South Pacific. Ω

Spanish Olives & Olive Oil Promotion Campaign Launched

Foods from Spain has started a $4 million dollar campaign which involves public relations, promotions, research and for the first time, TV advertising. This program will target both consumers and trade of the metropolitan areas of New York and Miami, from June to December 1991.

The financing of this campaign is the result of a major breakthrough putting together the efforts of the Ices (Spanish Foreign Trade Institute), Acemesa (Spanish association of exporters of olives), 5 private olive oil brands members of Asoliva (the Spanish olive oil association), the Autonomous Government of Andalucía and the Chamber of Commerce of Seville.

Combining olives and olive oil in the same campaign around the "Best under the Sun" slogan, will more than double our impact in the market

This program promotes Spanish green olive varieties ranging from the small "manzanillas" to the big "Queens" or "Gorda" and involve 5 major Spanish olive oil brands: Giralda, Sensat, Carbonell, Musa and Goya. Combining in the same campaign olives and olive oil around the "Best under the Sun" slogan, will more than double our impact in the market.

The olive oil and olive markets in the U.S. are in different situations: while Spanish olives mean 90% of stagnant consumption market, Spanish olive oils have reached a 22% share in the amazing growth of theU.S. olive oil market.

Taking into account these facts, this campaign aims to increase consumption of spanish green olives by showing new usages and cooking suggestions created by Sheila Lukins, famous cookbook author, and spokesperson for the campaign. Concerning olive oil, the objectives are to communicate the high quality and rich taste of Spanish olive oils.

The TV campaign is the optimal tool to create awareness and communicate the quality of these two traditional Spanish products.

CBS, ABC, NBC, and FOX will broadcast the "Olives and Olive Oils from Spain" TV commercials. Don't miss them! Ω

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United States Limits Deductibility of Interest by U.S. Subsidiaries to Their Spanish Parent Companies

BY JOHN C. JOST

Prior to the new Spain-U.S. income tax treaty going into effect, a Spanish parent company was subject to a 30 per cent U.S. withholding tax on interest received from its U.S. subsidiary. The subsidiary, however, could deduct this interest payment in calculating its U.S. federal income tax and thereby reduce its tax (under the current corporate federal income tax rate) by $0.34 for each $1.00 of interest paid.

The Spain-U.S. income tax treaty has now reduced the 30 per cent withholding tax to 10 per cent in most cases. Consequently, the treaty gives Spanish parent companies an incentive to "strip" earnings from their U.S. subsidiaries in the form of interest payments, instead of dividends.

For example, for every $1.00 in earnings remitted by the subsidiary to the parent in the form of interest, the subsidiary would receive a tax deduction worth $0.34, while the parent would pay a withholding tax of only $0.10. In contrast, if the earnings had been remitted in the form of dividends, the subsidiary would have received no tax deduction (in the U.S., dividends are not deductible by the paying corporation), but the parent wold have had to pay a withholding tax of $0.10.

Recent changes in U.S. federal income tax laws have eliminated this incentive by restricting the subsidiary's ability to deduct all of the interest paid to its foreign parent. In general, these restrictions apply to interest paid on loans that were made or renegotiated after July 10, 1989. They apply to all U.S. subsidiaries and their foreign parent companies, and not just to U.S. subsidiaries of Spanish companies.

New Restrictions

A U.S. borrower's ability to deduct interest paid to a foreign lender may now be limited if (1) the treaty withholding tax rate that applies to interest payments is less than the 30 per cent rate that applies in the absence of a treaty, (2) the borrower is "related" to its lender, and (3) the borrower's debt to equity ratio exceeds 1.5/1. In the case of Spanish lenders, the first requirement is satisfied because the Spain-U.S. income tax treaty reduces the U.S. withholding tax rate on interest to at least 10 per cent.

The "related" requirement is satisfied if either party controls directly or indirectly more than 50 per cent of the value of the other party. The term "related" would apply not only to a U.S. subsidiary of a Spanish parent, but also to a Spanish subsidiary of a U.S. parent and would limit the extent to which a Spanish subsidiary could strip profits from its U.S. parent. In addition, special rules apply to partnerships, foreign corporations controlled by U.S. shareholders and certain "back-to-back" loans and similar arrangements. The scope of this article, however, is limited to a discussion of U.S. taxpayers that are subsidiaries of Spanish parent companies.

In determining whether the borrower's debt to equity ratio exceeds 1.5/1, the "debt" component equals the borrower's total indebtedness, including obligations to both related and unrelated lenders. The "equity" component equals the sum of the borrower's cash plus the value of all other assets (as calculated for tax purposes), minus total indebtedness. Therefore, if the subsidiary paid $100 for equipment and, as a result of depreciation, that equipment now has a U.S. tax basis of only $50, the "equity" component would equal $50, regardless of the current fair market value of the equipment.

If a U.S. subsidiary has both a debt/equity ratio in excess of 1.5/1 and a positive "excess interest expense" amount, then it can not deduct interest paid to its Spanish parent

Example 1. In Year 1, U.S. subsidiary Subco has debt of $1,400 and a net asset value (i.e., total assets minus debt) of $1,000. Subco earned adjusted taxable income of $100 and incurred net interest expenses of $60 (which included $15 paid to Subco's Spanish parent Spanco, which owns 100 per cent of Subco). Subco may deduct all of its net interest expense (including all of

the interest paid to Spanco) because its debt equity ratio is less than 1.5/1 (i.e., 1,400/1,000).

If Subco's debt/equity ratio had exceeded 1.5/1, Subco would have been barred from deducting that portion of interest paid to Spanco that falls within the definition of "disqualified interest." The amount disallowed as a deduction, however, may not exceed Subco's "excess interest expense." In other words, even if Subco's debt/equity ratio were to exceed 1.5/1, Subco's ability to deduct interest paid to Spanco would not be impaired unless Subco's "excess interest expense" were a positive number.

The term "excess interest expense" is defined as (1) the subsidiary's "net interest expense," minus (2) the sum of its "excess limitation carryforward" plus 50 per cent of its "adjusted taxable income." "Net interest expense" equals the subsidiary's total interest expense (including interest paid to both related and unrelated lenders), minus its total interest income. The "adjusted taxable income" equals the subsidiary's taxable income calculated without regard to interest income. "Net interest expense" equals the subsidiary's total interest expense (including interest paid to both related and unrelated lenders), minus its total interest income. The "adjusted taxable income" equals the subsidiary's taxable income calculated without regard to interest income or deductions for interest expense, operating losses, depreciation, amortization or depletion. Finally, the subsidiary's "excess limitation carryforward" equals (1) 50 per cent of its previous year's adjusted taxable income, minus (2) its previous year's net interest expense.

If Subco were to have both a debt/equity ratio in excess of 1.5/1 and a positive "excess interest expense" amount, then it could not deduct all of its interest paid to Spanco. Instead, Subco would be barred from deducting that portion of interest paid to Spanco that falls within the definition of "disqualified interest." "Disqualified interest" is that portion of interest paid to a foreign related party that escapes the normal 30 per cent withholding tax that applies in the absence of a treaty. Mathematically, the disqualified interest equals (1) the interest paid to a foreign related party, (2) multiplied by the difference between 30 per cent and the treaty rate, and (3) divided by 30 per cent. Remember, however, that the amount of "disqualified interest" that the subsidiary is prohibited from deducting is capped by its "excess interest expense."

Example 2. In year 3, Subco's debt/equity ratio again exceeds the 1.5/1 threshold. Net interest expense remains at $160 (including $50 paid to Spanco.) Adjusted taxable income, however, fell to $150. Subco has an excess limitation carryforward of $40 from Year 2. Despite the advantage of having an excess limitation carryforward from Year 2, Subco has excess interest expense of $45 (i.e., 160 - [40 + (50 per cent x 150)] = 45).

Because Subco has excess interest expense, we must now determine what part of Subco's $50 interest payment to Spanco is disqualified interest. Assuming that the applicable Spain-U.S. income tax treaty withholding rate is 10 per cent, only $33 of Subco's $50 in interest paid to Spanco is disqualified interest (i.e., 50 x [(30 per cent - 10 per cent)] = 33). Since the excess interest expense ($45) exceeds the disqualified interest, it is disallowed as a deduction in calculating Subco's U.S. federal taxable income. If Subco had instead paid $70 in interest to Spanco (and not $50), the disqualified interest would equal $47. Of that amount only $45 would be disallowed as a deduction because the amount disallowed may not exceed the amount of the excess interest expense (which is $45 in this example).

Recommendations

The definitions of "disqualified interest" and "excess interest expense" are very complicated and are exacerbated by the fact that the U.S. government has not yet issued regulations that fully describe these concepts. Nevertheless, their overall impact is to discourage tax-motivated loans between a "thinly-capitalized" U.S. borrower and a related foreign lender. In determining whether to disallow such related-party interest payments, the U.S. government focuses on whether the U.S. borrower is over-leveraged (that is, its debt/equity ratio exceeds 1.5/1) and the amount of cash flow available to service the borrower's debt (that is, 50 per cent of "adjusted taxable income").

Accordingly, these restrictions can be especially troublesome for a subsidiary in an industry that is traditionally highly leveraged or a subsidiary whose asset value for tax purposes is lower than fair market value. The latter situation frequently arises when (1) the company was acquired through a stock purchase (as opposed to an asset purchase) and the U.S. tax basis of the acquired company's assets are less than their fair market value, or (2) the company has depreciated its assets below their market value.

New U.S. regulations discourage tax-motivated related-party interest payments

As the examples demonstrate, the restrictions on the deductibility of related party interest create a variety of hidden costs and incentives for Spanish companies that want to maximize their U.S. subsidiary's ability to remit profits in the form of tax-deductible interest payment. For example, Spanish companies that invest in the United States by purchasing an existing business might want to structure the transaction to maximize the tax value of the business' assets. Similarly, a U.S. subsidiary mighty maximize the deductibility of its disqualified interest by carefully monitoring and managing changes to its debt/equity ratio.

Finally, Spanish companies might wish to explore the feasibility of using other types of deductible payments by their subsidiaries as an alternative mechanism for stripping out profits. These alternatives might include royalties and fees paid by the subsidiary for intellectual property, technical services and know-how supplies by the Spanish parent. Ω

JOHN JOST *is an attorney at the international corporate law firm Dow Lohnes Albertson based in Washington D.C.*

Banco Hispano Americano and Banco Central to Merge

Banco Central S.A. and Banco Hispano Americano S.A. signed a merger agreement on May 14 to become Spain's largest private bank. The move represents an effort to keep pace with Spain's increasingly competitive banking sector. Together, the banks will have combined assets of approximately $90 billion in assets, and 39,000 employees at 4600 branch offices, according to *The Wall Street Journal*. Combined profit in 1990 totaled 83.7 billion pesetas. The 75-year-old Mr. Alfonso Escámez López of Banco Central will be the new chairman until no later than December 31, 1992. Upon his retirement, Banco Hispano's Chairman, 59-year-old José María Amusátegui will take the helm. Ω

Six State-Run Banks to Merge

According to Finance Minister Carlos Solchaga, the largest state-run bank, the Corporación Bancaria Española, will be created by pooling together all of the state's financial institutions. The new group will consist of Banco Exterior de España (only 62 per cent state-owned), savings bank Caja Postal, mortgage bank Banco de Credito industrial, Instituto Credito Local, which finances municipalities, and Banco Credito Agricola, Spain's agricultural concern. As reported in *The Wall Street Journal*, the Corporación's assets are estimated at over $75 million.

The idea of grouping together these public financial institutions stems from the foreseen synergies of an alliance and is seen as helping the overall competitiveness of the Spanish banks in a unified European market. One example of the benefits will be Banco Hipotecario's new ability to access the nationwide networks of Banco Exterior and Caja Postal. The bank will enjoy a top credit rating due to its status as a state institution. Ω

J.G. Stanley & Co. and the Quincentennial

The New York-based J.G. Stanley & Company is operating as the exclusive licensing and marketing agency for the Sociedad Estatal Quinto Centenario (SEQC) in Madrid and the Spain '92 Foundation in Washington, D.C. for the 1992 Columbus Quincentennial Celebration in the United States and Canada.

The Cornerstone of the SEQC celebration is the Tour of the Caravels and accompanying festivals. It is estimated that between 40,000 and 50,000 spectators will visit the ships each weekday and 60,000 to 70,000 daily visitors are expected on weekends as the tour sails through 12 cities in the United States during 1992. This and other SEQC programs are a result of the direct participation of the SEQC, not merely endorsements, and they guarantee that the SEQC celebration and licensing programs will be "The Global Event of the Century." Ω

Repsol First Quarter Profits Rise 20 per cent

The Spanish state-owned oil company Repsol S.A. said net income for the first quarter of 1991 jumped 20 per cent over the same period last year boosted by drop in crude oil costs. Repsol is also well-positioned to benefit from a steady increase in the use of natural gas, a key element of the Spanish government's pending energy plan. Operating profit from Repsol's liquid propane and natural gas activities climbed 31 per cent to five billion pesetas in the first quarter, bolstered by an 80 per cent increase in natural gas activities. Ω

Tax Overhaul in Spain

The Spanish Parliament Approved a sweeping overhaul of the tax system, effective January 1, 1992, to put the country on a more equal footing with its European Community partners. The measure lowers income taxes and raises sales taxes. Spanish income taxes are much higher than in other EC nations, prompting concern about funds flight when capital movements are liberalized next year.

The law eases the tax burden in the highest bracket, on incomes exceeding 8.24 million pesetas ($77,629), to 53 per cent in 1992 and to 50 per cent in 1993 from 56 per cent now, and on the low end to 18 per cent from 20 per cent in 1993. But the value-added tax, a form of sales tax now averaging 12 per cent, rises to an average of 14 per cent and tax-evasion penalties are stiffened.

Capital gains will continue to be taxed as ordinary income. But the law exempts certain long-term capital gains on sales of property and securities, which may encourage privately held companies-about 80 per cent of Spain's total-to list shareholdings. Ω

Banesto Sells Stakes

Banco Español de Credito (Banesto) will sell $469 million worth of stakes in its industrial arm and its insurance unit to Assurances Generales de France (AGF). Banesto said also that AGF will acquire about 4 per cent of the bank's industrial holding company, La Corporación. The bank originally planned to sell 26 per cent of its 76 per cent share in La Corporación, in a public offering, but the plan was dropped after Iraq's invasion of Kuwait threw stock markets into turmoil.

In a separate transaction, La Corporación plans to sell its Petromed oil refining and chemical unit to the British Petroleum Company for about $770 million. The acquisition would be one of the biggest single investments ever made by BP in continental Europe, giving it about 10 per cent of Spain's retail petrol outlets. According to the Financial Times, Mr. Mario Conde said that the sale would bring a capital gain of 14 billion pesetas. Ω

Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes. *Tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drink's usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar no fewer than five or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas* spread as varied as any in Spain is as close as your Goya Section. Look at our picture. Goya chick peas, seasoned & sauteed with onions. Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil. Goya pimientos & garlic, drizzled with that classic oil. cider-poached Goya *chorizos* & apples. and Goya *empânadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goya's wonderful giant scalloped crackers.

Goya has all kinds of makings for *tapas*, from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. Oh Boy a!

Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas ideas? Send stamped self-addressed envelope to Goya, Tapas, Secaucus NJ 07094.

Iberia and Turespaña Launch Promotional Drive

Turespaña and Iberia Airlines have launched a $10 million three-year joint promotional campaign with American Express Travel Related Services to create special services for Americans visiting Spain. "About one million Americans visited Spain in 1990, generating tourism revenues of over $1 million," said Claudio Aranzadi, Spain's Minister for Industry, Trade and Tourism. He also stated that "we estimate over 50 per cent of tourists who have visited Spain return because of their positive experiences."

As part of the "Spain, so much to si" program, the American Express Card has been named the official Card of Tourism in Spain. Iberia Airlines has also expanded its non-stop service from New York, Los Angeles and Miami to Madrid, and beginning June 17, offers five weekly non-stops from New York to Barcelona. Ω

BRA USA Sets Sweepstakes

BRA USA has organized a Spain '92 Sweepstakes to promote a special image for its 18/10 stainless steel cookware made in Barcelona by Concepto BRA S.A. The promotion is being introduced to major department stores and gourmet retailers this fall and will be open to Bra product consumers who turn in their entries by April 1. The final drawing will be held on April 15.

"Go For The Gold" is the timely slogan for Bra sweepstakes, whose premiere Oro Inox cookware collection has a gold-accented line. The lucky winner will receive a round trip for two to the Barcelona Olympic Games, including hotel, breakfasts, four tickets for two to arena events plus city and museum tours. Ω

Banco de Sabadell Promueve el Sector Téxtil

El Banco de Sabadell, dentro del llamado "Proyecto USA" ha puesto su show-room (espacio de exhibición) de Nueva York a disposición de aquellas empresas del sector téxtil que deseen promocionar sus productos en el mercado de los Estados Unidos. El show-room se halla instalado en el"Fashion Atrium", el cual es un gran recinto de exposición de moda y accesorios, al que acuden regularmente tanto aquellas firmas estadounidenses e internacionales que desean dar a conocer sus últimas creaciones, como las empresas compradoras, americanas y del resto del mundo, interesadas en conocer o adquirir las últimas novedades presentadas. Además de su show-room en Nueva York, el banco de Sabadell dispone de otra área de exposición en Londres. Ω

Bank of Spain Lowers Interest Rate

Due to an upward pressure on the peseta and a rigid anti-inflation policy, the Bank of Spain has recently lowered the interbank interest rate (the rate at which banks loan to other banks) to 12.75 percent from 13.50 percent.

In December 1990, the rate was at 14.70 per cent, reflecting a continuing downward trend in the price of money. The decision was based on the recent 8.1 per cent rise in Spain's liquid money supply measure Activos Liquidos en Manos del Publico (ALP). Ω

Remaining Capital Controls Lifted in Spain

Madrid has recently removed a deposit requirement on foreign-currency borrowings by Spanish companies. The measures effectively remove exchange controls in Spain far ahead of the European Community's late 1992 deadline.

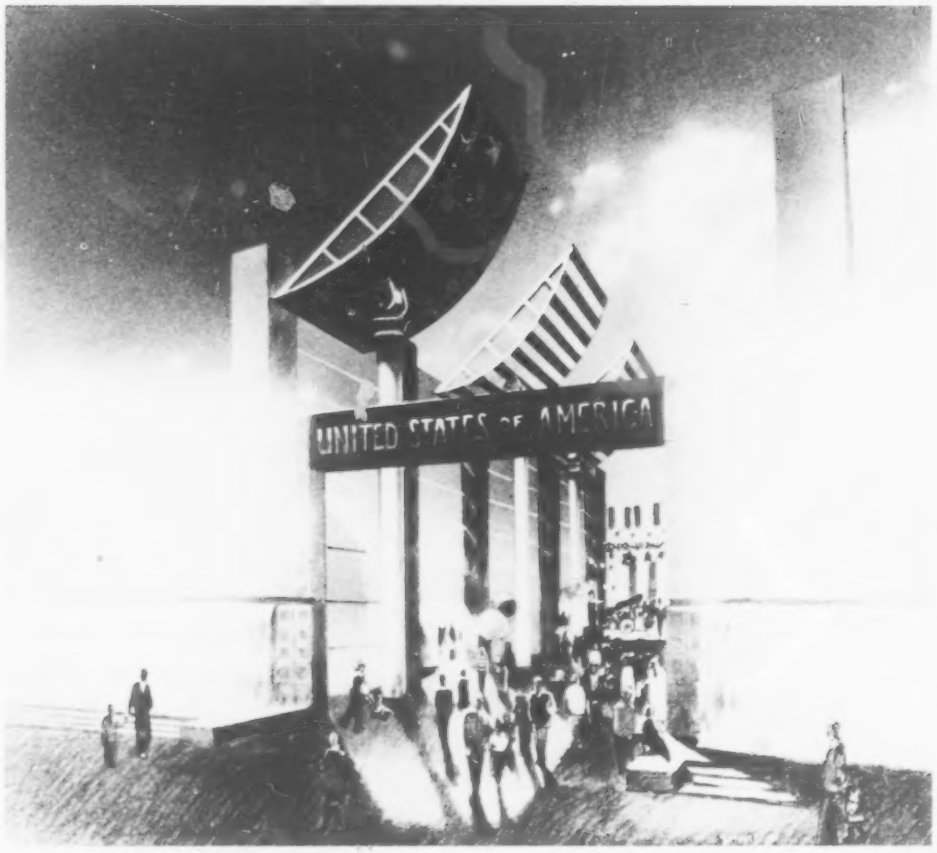
Also, Spaniards may open bank accounts in foreign currencies. Heavy inflows of foreign currency had recently swollen Spain's currency reserves to record levels of more than $58 billion December 31. Under the new measures, Spanish residents can for the first time operate bank accounts in any convertible currency. In addition, Madrid is relaxing curbs on Spanish banks lending to non-resident borrowers in convertible pestas. These changes are expected to ease upward pressure on the peseta without necessitating interest-rate cuts, which could heat up household consumption and inflation.Ω

Iberduero to Merge with Hidrola

Spain's two largest privately-owned electrical utilities have announced the creation of a joint holding company as a preliminary move to joining forces.

The companies account for more than 40 per cent of Spain's generating capacity. According to the *Financial Times*, their shares are currently valued at more than $5 billion and the takeover of Hidrola by Iberduero would be the biggest ever on the Madrid bourse. The move is seen as a clear signal by the groups that they did not want to owe the government—which fixes the value of the tax incentives in a merger—any "political favors." The reorganization takes place under the terms of a national energy plan which is expected to go before parliment in July. Hidrola has a long-term debt-to-equity ratio 50 per cent higher than Iberduero's. Ω

Seville World's Fair: 'The Age of Discoveries'



Artist's rendering of the U.S. pavilion for the World's Fair in Seville

In a letter [illegible] U.S. Commission[illegible]neral for Seville, Presi[illegible]t Bush said, "When the nations of the world gather in Spain to mark the 500th anniversary of Columbus' voyage to the New World, I am confident that the United States will have a presence that reflects the energy and genius of its people. Americans have long been driven by the desire to explore, to innovate, and to excel, and we have been richly blessed with the freedom to do so. I know that, through the combined efforts of the public and private sectors, the United States Pavilion will be a source of pride for all our citizens."

The six-month Exhibition opens on April 20 and closes on Columbus Day, October 12, 1992. The United States is one of 110 nations participating in the world's fair, which is expected to draw more than 20 million visitors.

The U.S. Pavilion at Seville Expo '92 will represent a unique and ambitious partnership between the public and private sectors that will present to the world the very best that America has to offer. Exhibitors and performers plan to reflect the overall theme of Expo, "The Age of Discoveries," as well as "Discovery," the theme of the U.S. Pavilion.

Corporations, associations, states, cities, non-profit organizations and individuals can take part in this historic event through sponsorship of exhibits, cultural and sports programs, as well as special events days, and support through cash and in-kind contributions.

The design of the U.S. Pavilion at the World's Fair in Seville 1992 will include two important architectural elements: At the entrance there will be a water fall, symbolizing Columbus' historic ocean voyage across the Atlantic, and above the pavilion, three shade sails representing the three ships in Columbus' fleet — the Niña, the Pinta and the Santa Maria.

The structure will consist of an 18,000 square foot, two-story building and two geodesic domes. A Video Teleconference Center, the Commissioner General's Lounge, the Pavilion's exhibits, and a restaurant will be located in the building. The domes will house the 70mm theme film, produced by General Motors, and a perfor[illegible]enter.

A $7.[illegible] contract for construct[illegible] of the Pavilion was awarded this May to Entrecanales y Tavora of Madrid, one of the top ten construction firms in Spain.

Construction work at the site will begin in June, under the management of the U.S. Naval Facilities Engineering Command, and is scheduled for completion by March 1992.

The Pavilion is being funded with $13 million in federal money that will be augmented by private sector sponsorship and contributions. In May 1990, Congress authorized the U.S. Information Agency, the federal agency responsible for international expo[illegible]ons, to reprogram the $13 million from appropriated funds.

Through live entertainment, the diversity of American culture and the fabric of American life will be presented. Expo's visitors will experience "Americana" through more than 2,000 hours of programming, including but not limited to: classical music, country western music, blue grass music, fiddling, clog dancing, square dancing, gospel music, jazz, rock music, modern dance, break dancing, musical comedy and performance art – a rich and varied mix of performing arts from all geographic regions of the United States.

Performers will consist of professional, semi-professional and community groups — the best America has to offer.

Some of the programming being discussed includes:

The American Waterways Wind Orchestra, an international troupe of 50 musicians, which performs an eclectic repertoire of light classical, jazz and contemporary music from its unique floating arts vessel, Point Counterpoint II. With a retractable acoustical shell and a 75-foot stage, the ship has sailed to numerous European port cities. Talks are under way to allow the vessel to moor near the pavilion.

The New World Symphony, a recently created orchestra based in Florida, will represent the New World to the 1492 celebration.

The Washington Cathedral Choral Society, one of America's leading and most prestigious choral groups, is planning a tour of Spain in 1992, with possible performances in the Cathedrals of Toledo, Seville and Leon, as well as at Expo '92. Ω

For further information on Expo '92 contact: the Office of the United States Commissioner General for Seville Expo '92, U.S. Information Agency, Washington, D.C. 20547 Telephone: (202) 401-7162

Pavilion Sponsors

AMERICAN EXPRESS TRAVEL RELATED SERVICES

AMERICAN PLYWOOD ASSOCIATION

THE COCA-COLA COMPANY

GENERAL MOTORS CORPORATION

MERRILL LYNCH & CO., INC.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)

SEA-LAND SERVICE, INC.

U.S. SPRINT

U.S. Pavilion Sponsor Update

GENERAL MOTORS has recently signed on as a major sponsor of the U.S. Pavilion. G.M. will create the main attraction for the Pavilion: a wide-screen film that will highlight the energy and genius of the American people, from leadership in personal mobility to achieving harmony with the environment. It will also demonstrate the U.S. commitment to the nations of the European community.

G.M. expects the film to be a "must-see" feature of Expo '92, in keeping with U.S. leadership in past world's fairs and with G.M.'s top attractions at past world exhibitions. This includes the New York World's Fairs of 1939 and 1964 and, most recently, the widely acclaimed "Spirit Lodge" presentation at Expo '86 in Vancouver. Created by the award-winning Bob Rogers & Co., the film will be seen by 36,000 visitors daily.

In addition to sponsoring the movie, G.M. will create an exhibit on "cars of the future." They will also provide the official cars of the U.S. Pavilion.

As reported in the Spring issue of *Business Link*, organizations that have already joined the U.S. Pavilion as sponsors and donors include:

AMERICAN PLYWOOD ASSOCIATION — building a "House of the Future."

THE COCA-COLA COMPANY — sponsoring the Commissioner General's VIP Lounge.

SEA-LAND SERVICE, INC. — providing all required ocean transportation.

U.S. SPRINT — creating a video teleconference center in the Pavilion.

The U.S. Pavilion Trust

The U.S. Pavilion Trust is a special fund set up to ensure that the United States presence in Seville is second to none. Contributions to the Trust will be used to enhance U.S. Pavilion operations for the duration of the Expo, enabling the Pavilion to present a continuous mix of special events, exhibits, entertainers and performances.

Business and community leaders who contribute personal, corporate, foundation or association funds of $100,000 or more are designated Trustees of the United States Pavilion. To date, the following organizations have been named Trustees:

AMERICAN EXPRESS TRAVEL RELATED SERVICES;

MERRILL LYNCH & CO. INC.; and

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA).

Trustees will receive numerous special benefits throughout the exposition. A special day will be designated in honor of each member of the Pavilion Trust. In appreciation of their outstanding commitment, Trustees' names will be engraved on the U.S. Pavilion's Donor Wall, prominently located on the U.S. Pavilion grounds. Trustees will also benefit from use of a special version of the U.S. Pavilion logo in their advertising and promotional literature and will receive invitations to special U.S. Pavilion activities and events. Trustees will enjoy special access to the Commissioner General's Lounge and the Video Teleconference center, as well as protocol assistance and facilitated access to Expo's international and corporate pavilions.

Raíces: In Search of One's Hispanic Heritage

For corporations looking to get involved in 1992, "Raíces" remains one of the Quincentennial's (as yet) undiscovered gems. If enough support can be found, up to 96 per cent of U.S. Hispanics will be able to explore their Spanish origins and heritage through this bilingual interactive video program.

Upon providing the appropriate surname, participants will find out such things as: where in Spain the name first originated, how it came about, and what noteworthy people and places have held the same name. Users will also learn where in the U.S. others with the same last name immigrated. Installed on computers with video disc players and touch sensitive screens, the program will be placed in museums, libraries, festivals and possible commercial venues across the United States in 1992.

Already funded in part by the Spain '92 Foundation and the Sociedad Estatal Quinto Centenario, "Raíces" is currently seeking additional sponsors for equipment, logistics, and above all, genealogical research. Eleven investigated surnames would account for 25 per cent of

Banco Bilbao Vizcaya, largest banking group in Spain with European dimension.

Assets: US$ 72 billion
Shareholders' Equity: US$ 4.9 billion
Pre-Tax Income: US$ 1.3 billion
Branches in Europe: Over 3,000

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the Hispanic population; 500 would represent 90 per cent. Current research efforts need to be speeded up to ensure the broadest possible exploration of this country's rich Hispanic heritage. Ω

A promotional video prepared by Carlos Ramirez, Inc., will be shown to interested corporations beginning in June, 1991.

Forbes to Promote Quincentennial

Corporate America and the general public are about to discover the Spain-USA Quincentennial. Two of the nation's top business magazines, *Forbes Magazine* and *American Heritage* (both of which belong to the Forbes editorial group), have joined the Spain '92 Foundation in preparing a special advertorial section entitled "The Spanish Imprint: A 500-Year Presence in America." Appearing in the fall of 1991, this special report will highlight the strong ties between Spain and the United States while offering internationally oriented Spanish and American companies vital recognition and access to high-level executives.

Written by Henry Wiencek, the "Spanish Imprint" focuses on Spain's role in the formation and development of the United States. Spain's cultural and human contributions receive particular mention in this salute to 500 years of Spain in America.

The "Spanish Imprint" will leave its mark on a wide and influential audience. Carried in the Oct. 21 issue of *Forbes* and the Nov. 1 issue of *American Heritage*, the report will reach 3.2 million readers, including many of America's most important decision makers. It is estimated, for example, that 470,000 of the readers will be executive presidents. As an added bonus, the *Forbes* issue will also include the popular "*Forbes* 400 Annual Survey," a profile of the nation's wealthiest people.

Spanish and American companies are being encouraged to take advantage of the special report's advertising potential and submit materials before the August 2 insertion deadline. To ensure as enthusiastic a response as possible, the Spain '92 Foundation and *Forbes* have co-hosted two large-scale receptions, one in the United States and the other in Spain.

The first reception was held on March 22 at the Forbes Gallery in New York City, where prominent members of the business community gathered to view a video promoting the project. A glossy bilingual brochure provided additional information to a receptive audience.

The second reception, held in Madrid on April 17th, achieved even greater success. The organizers sought to introduce the Spain '92 Foundation to Spanish corporations and to inform these Spanish companies about the transatlantic opportunities opened up for them by the "Spanish Imprint." The reception accomplished all this and, in the process, became one of the year's most talked-about social gatherings. A wide range of political, cultural and economic leaders thronged the Fernán Núñez Palace to support the Spain-USA Quincentennial and, of course, to see and be seen. The hosts (Christopher and Timothy Forbes and Rafael Mazarrasa, president of the Spain '92 Foundation) met with such notables as Alvaro Domecq, the Duchess of Santoña and Rafael Trenor (the creator of the Armillary Sphere). In addition to gaining important contacts and Quincentennial recruits, the evening generated excellent publicity; glowing articles appeared in such prominent papers as *ABC*, *El Pais* and *Tiempo*.

By reflecting on their shared past, "The Spanish Imprint: A 500-Year Presence in America" will help draw Spain and the United States even closer together in the future. Ω

Medallions Commemorate Quincentennial Celebration

The Sociedad Estatal Quinto Centenario has licensed Paramount Coins International, Ltd. as exclusive producer of the Official Caravel Collections Program of commemorative medallions.

These medallions, designed by the world-renowned engravers of the Spanish Mint, honor the 500th Anniversary of Columbus' voyages with three separate collections in gold, silver and bronze.

The Caravel Bronze Collection is a popularly priced four-piece set cast in bronze. The Caravel Silver Collection is a five-piece proof set in sterling silver, which will surely satisfy collectors of all types. The designs include depictions of: Christopher Columbus, The Three Caravels, The Santa Maria, Isabella - Queen of Castile, and The Catholic Kings. The reverse side of all these medallions are engraved with the official symbol of the Quincentennial program surrounded by the legend "Quinto Centenario" and the dates "1492-1992". Each set is attractively boxed, and single medallion design orders are available. Ω

These medallions are perfect items for corporate gift and incentive programs. For more information, please contact Norman Rea at J.G. Stanley & Co., the exclusive distributor for the official commemorative medallions: 141 E. 44th Street, 10th Floor, New York, NY 10017 or phone (212) 867-7859.

Wines of Spain: Back to the Future

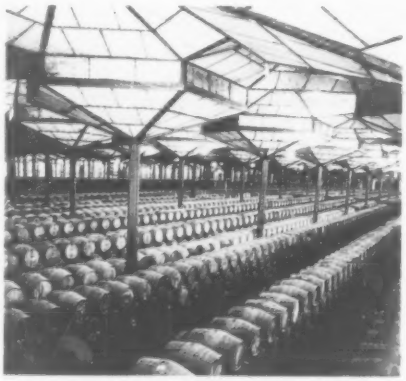
Technological innovation allows Spanish wine to compete on the basis of quality

BY GERRY DAWES

In 1972, Donn Pohren, an American who had lived in Spain for decades and is the premier authority on flamenco, published his idiosyncratic classic, *Adventures in Taste: The Wines and Folk Food of Spain*. For years, Pohren periodically wandered through Spain's 4,000,000 acres of vineyard lands, the most extensive acreage under wine in any country in the world. He would duck into a village bar, ask for a glass of the local vino, then casually ask who made the best wine in town. On many occasions, Pohren would soon be offered samples of several different wines as one local vintner after another vied to impress on this foreigner that his wine was the best in the village.

At that time, in many villages of different regions in Spain, the grapes were still crushed by treading, then fermented in open stone or cement vats, and sometimes aged in less-than-meticulously-cared-for barrels. Sometimes the result was a flawed wine that often tasted good with the local food, but was not stable enough to "travel" and not the stuff to thrill sophisticated wine connoisseurs. Still, Donn Pohren swore by the inherent quality of many of these Spanish wines.

What Pohren tasted in those wines while researching his book twenty years ago was the MATERIA PRIMA (raw material), the exceptional juice from



Gonzalez-Bypass, bodega for Tio Pepe fino sherry.

grapes which often came from old vines, whose average yield of wine per acre was less than that allowed by the best appellations of Burgundy and Bordeaux. Yet, even backward winemaking techniques could not keep the underlying quality from showing through; Pohren's Spanish wines were diamonds in the rough.

In the years since Donn Pohren wrote his book, there have been exciting changes which augur for the promise and profit of both Spain's traditional wines and those of emerging wine regions. Spain's entrance into the European Economic Community (EEC) posed a special challenge to Spanish wine producers: should they merely add quantity to the gallonage of the European wine "lake" or compete on a quality level? Spain opted for quality.

Indeed, the time was right for a reassessment of both the domestic an export markets, an upgrading of winemaking technology, and a consistent quality control for Spanish wines. Emile Peynaud, Alexis Lichine and other consultants from France advised winemakers in the Rioja, Ribera del Duero, and Rueda regions. Oenologists from Rioja, Penedés, and Navarra shared their expertise with winemakers in other regions while young Spanish winemakers trained in Bordeaux, Burgundy, and California.

New wine books, periodicals, and gourmet journals proliferated. Among them are important books about Spain's future in wine by Miguel Torres, Jr., the talented Catalán wine maestro, and Jose Penin, Spain's top wine authority. Wine seminars, tastings and competitions began to be conducted on a regular basis. Wine societies formed, and a growing, increasingly affluent, Spanish middle class began to appreciate the wines of its own country.

During the past decade, investments in new winemaking technology, better barrels, experiments with new grape varietals, and the replanting of vineyards in some areas have had a geometric effect on the quality of Spanish wines. The grapes from the best wine areas of Spain — Rioja, Jerez, Cataluña, Ribera de Duero, Navarra, Rueda, and in many up and coming regions — are proving that they can produce wines that stand alongside the best of France, Italy and California. The Temparanillo of the Rioja and Ribera del Duero, for example, is soon to be recognized as a grape capable of producing wines rivaling Cabernet Sauvignon, Merlot, or Pinot Noir.

Visitors to Spain in the years to come will drink ever more refined versions of Spanish wines, which are coming to be recognized, even by the toughest wine critics, as among the finest in the world, something that will come as no surprise to Donn Pohren. Ω

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Improvisación Frente a Rigor Informativo

El periodismo económico español es un milagro diario

POR CRISTINA BUHIGAS

Cuando se habla de periodismo económico en diferentes países se habla de lo mismo en cuanto a contenidos, pero no en lo que se refiere a métodos de trabajo. Los periodistas de todas partes quieren trabajar con rigor y objetividad; pero las diferencias entre unos países y otros no las marcan los profesionales, sino las empresas, y las empresas están condicionadas por sus posibilidades económicas.

En Estados Unidos, la menos importante de las publicaciones de contenido económico tiene una lista superior a la del primer diario económico español. La tirada condiciona la publicidad y, por lo tanto la inversión que se realiza en la infraestructura humana y material que se necesita para sacar un periódico a la calle.

El periodismo económico ha experimentado una gran c..pansión en España en los últimos años. Cada vez que se pone en marcha una nueva publicación se habla de que va a ser la definitiva, la que aplicará unos métodos de trabajo rigurosos, la que comprobará las noticias en varias fuentes y la que contará con especialistas para cada sector informativo.

Luego, la realidad de la economía interna de las empresas lleva a las publicaciones a contar con plantillas reducidas, con un alto porcentaje de periodistas recién titulados e inexpertos, que deben trabajar contra reloj para conseguir hacer un periódico a diario.

La práctica habitual en los periódicos norteamericanos es la de comprobar en varias fuentes cada noticia. Además cuando un periodista investiga una información puede dedicarse a ello todo el tiempo que sea necesario, hasta que la historia este completa.

En España esto sucede a veces; pero generalmente los directores de las publicaciones, en su afán por tener por tener a diario una portada competitiva, presionan a los profesionales para que escriban sólo sobre indicios. Así el periodismo económico español cae frecuentemente en la publicación de rumores que muy raramente se confirman.

Sobre todo, esto ocurre en la información de empresas, la más difícil, por la falta de transparencia de los empresarios españoles, que temen a los periodistas y creen que es mejor callar y que se publiquen noticias inexactas, a contar la verdad ellos mismos.

De todas formas hay algo diferente y positivo en el periodismo español, sea o no especializado en economía, que no sucede en el estadounidense. En España hay una gran capacidad de improvisación. A los profesionales no nos gusta caer en el tópico pero tenemos que reconocer que hay una alta dosis de quijotismo en la forma en que hacemos los periódicos en España.

Aunque tampoco todo es genialidad improvisadora, en los últimos diez años se han ido formando una serie de periodistas económicos, con un grado de especialización muy alta. Ahora sólo falta lo fundamental: que aumenten los lectores de prensa en España, no solo los de prensa económica, sino los de toda clase de prensa, así las empresas editoras serán más fuertes y podrán invertir en formar a sus periodistas y en tener unas plantillas suficientes, que garanticen el rigor informativo.

El periodismo económico español cae frecuentemente en la publicación de rumores que muy raramente se confirman

Quizá entonces los periodistas sigamos quejándonos, ya no de falta de rigor y de medios, sino de que se haya perdido la frescura de la improvisación y la genialidad que ahora recorre las redaciones españolas. Ω

CRISTINA BUHIGAS *es Redactora de la Gaceta de los Negocios en Madrid.*

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